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10TH

NATIONAL CONFERENCE

of FRUIT and VEGETABLE
BARGAINING COOPERATIVES

WASHINGTON HILTON HOTEL
Washington, D.C.
January 16-17, 1966

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PROCEEDINGS OF THE
TENTH NATIONAL CONFERENCE ON
FRUIT AND VEGETABLE BARGAINING COOPERATIVES

This is a report of the Tenth National Conference on Fruit and Vegetable Bargaining Cooperatives, held at the Washington-Hilton Hotel, Washington, D.C., on January 16 and 17, 1966. It was arranged and conducted by the Farmer Cooperative Service, U.S. Department of Agriculture, at the request of various fruit and vegetable bargaining cooperatives.

More than 160 people registered for the conference, and many others attended one or more of the sessions.

These proceedings include speeches made at the conference, as well as related information. In view of the diversity of topics discussed, the views expressed here are those of the participants and not necessarily those of the U.S. Department of Agriculture.

The use of commercial names does not constitute an endorsement by the U.S. Department of Agriculture.

Copies of these proceedings -- in a limited quantity -- may be obtained from the Fruit and Vegetable Branch, Farmer Cooperative Service, U.S. Department of Agriculture, Washington, D.C. 20250

Eleventh National Conference will be held
at the Jung Hotel, New Orleans, Louisiana,
January 14-15, 1967.

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WELCOMING REMARKS

Robert N. Hampton, Legislative Counsel
National Council of Farmer Cooperatives
Washington, D.C.

I am pleased to welcome all of you to Washington and to an intensive 5-day series of discussions on bargaining and other cooperative activity. On behalf of Kenneth Naden, Executive Vice President of the National Council of Farmer Cooperatives, I want to express to you our hopes that each of these sessions will be highly successful in encouragement of the cooperative growth and strength which is one of our farmers' greatest needs in a highly concentrated and competitive food industry.

We want to again compliment the Farmer Cooperative Service (FCS), as a sponsor of these bargaining conferences, for its continuing efforts to help bargaining cooperatives better define their goals and opportunities.

FCS leaders have worked diligently to serve farmers and their cooperatives, and along with all of us, are faced with more vital issues than ever before in clarifying and establishing the appropriate role for cooperatives by showing how farmers can operate most effectively in today's climate of big business and mass markets.

We are encouraged by the activity at high levels of our national leadership in re-examining the appropriate role of farmer cooperatives and the food industry in promoting the general welfare and achieving our long-range goals of strong economic growth and political rapprochement throughout the world.

A 1966 report from the National Commission on Food Marketing promises to add significantly to national understanding of the economic relationships between farmers and others in the domestic food industry. The work of the newly established Food and Fiber Commission should point up the increasing urgency of clarifying the role of food exports in our efforts toward peace through economic development abroad. And the growing sophistication of farmers in their understanding of the need to work together, to build strong organizations, and to develop alternative market opportunities to gain bargaining strength may prove to be the most significant development of all.

Again, we of the National Council extend to you the wish that your deliberations here will be most fruitful and your visit to the Nation's Capital a most enjoyable one.

+ CAN COOPERATIVE BARGAINING ASSOCIATIONS SUCCEED? +

R. L. Kohls, Professor of Agriculture
Economics and General Marketing
Purdue University
Lafayette, Indiana

Can bargaining cooperatives succeed? If by succeed we mean the usual interpretation of forcing higher prices from processors and handlers than farmers are receiving now with no changes on their part, I think that the answer is "No." If on the other hand, by "succeed" we mean the performance of other more specific and limited activities from which there might be improved profits, then the answer may be a qualified "Yes."

The Changing Market

The farmer's role in food marketing is in the process of receiving a 1-2-3 punch from the modern food industry. With the overriding interest in surpluses and price and income policies, farmers are only slowly becoming aware of the situation.

Unfortunately, even this growing awareness may be again lost in the excitement created by those who want national agricultural policy to include proposals to "feed the poor and starving of the world." However, the growing awareness of the existing problems in the area of agricultural marketing was a partial reason behind the charge to the National Food Commission to thoroughly explore the marketing system.

What are these punches that are being aimed at the farmer by modern marketing developments?

1. The growing breakdown of the pricing system for farm products.
2. The rapid technological revolution in processing and distribution which is forcing greater coordination between farm and marketing agencies.
3. The growing size of the food processing and retailing firms serving regional and, in many instances, nationwide markets.

Let's explore briefly what are the implications to farmers of these developments in our marketing system.

The Pricing Problem

The breakdown of the farm product pricing system that we have had in this country for many decades is farther along than often is recognized. The statements often heard that "one cannot violate the law of supply and demand" or that "one cannot have prices higher than the true market" are technically true. But more often, they are cliches used by those who oppose change to sound erudite. Such pronouncements substantially hide the real problems.

There is no special section of heaven where angels of supply and angels of demand get together to establish prices which are then sent down to the markets of Podunk, Fresno or Indianapolis. Prices of commodities are made by men, using whatever information they have and trying to get the best possible deal at the moment in time and at the place they find themselves.

The question of what is the going price of a particular product at a particular time and place is no longer a simple one. With the increasing decentralization of the marketing channel, with the increasing use of agreements, special grades and standards, discounts and premiums, and other detailed arrangements between growers and their individual buyers, the actual going price is very difficult to ascertain. Within the last year the demise of the live broiler quotation focused this problem sharply.

The Federal market news service finally had the courage to acknowledge that there simply were not enough transactions in live broilers in many of our southern areas to justify the idea that there was a price to be quoted. The concern over the egg-pricing system, which has brought special research attention, is really one over just how our eggs are being priced at all the various buying points in the United States. The use of the large terminal markets establishing prices still exists--but is this use being utilized for good or evil purposes in the actual price determination by buyers and sellers in the countryside? All of these are symptomatic of the growing problem of how to determine prices of agricultural products and how to report them.

The equality of availability of information has long been considered important. The establishment of this equality is a major basis of federal system of market news estimates and statistics, etc. The growing problem, however, is one not simply of equality of availability of information, but it is one of actually collecting the right information, evaluating its meaning and getting it disseminated in time for it to be useful in the pricing process.

What is the pertinent information and the right price can be a question asked honestly by all parties in the food marketing. Herein, then lies one of the possible roles that a farm group can play.

The Coordination Problem

The growing integration of farm production with marketing agencies through contracts and other means over the past several years is a direct result of the second punch being delivered by the marketing system--that of the rapid technological revolution in food processing and distribution.

It must be recognized that each of the new and different food products which are being developed by our processing industries and distributed on our supermarket shelves usually implies more processing. And additional processing in this age of specialized machinery and high cost labor means that it becomes more necessary for processors to secure products of specific qualities, at specific times and specific amounts and at specific places. The processor that can profitably accept whatever is available and then sort it in the best possible manner is rapidly disappearing.

This development means that more centralized direction to improve the coordination between farm production with marketing must come. Farmers must increasingly produce more specific products in a specific way in order to have a buyer. How this coordination is going to be effected and who is going to control the coordinating mechanism are vital questions--herein is another possible service that farm groups may provide.

The Power Problem

The growing size of processing and distributing firms and their increasing participation in a national market is an extension of an age-old problem. For a long time it has been acceptable to characterize the situation as one of small disorganized farming units that must sell to larger and more powerful units in the market place. And when such a situation occurs, there always can be some doubt concerning the equity of the outcome of the pricing process.

To this long-standing issue, however, is now added the implications of the growing extent of the market that processors and distributors serve. No longer can producers in separated geographic areas ignore producers in other areas. Food marketing firms operating under unified control from widely scattered locations have the ability to play one area against another; one group of producers against another. To researchers and students of agriculture this situation has resulted in what is termed the increased rigor of interregional competition.

The question of how to neutralize such potentially lopsided power has taken on increased concern; herein has been considered to be another role that the organized farm group might assume.

The Meaning to Farmer Organizations

What are the implications of these three developments raising three kinds of problems to the possible success of cooperative bargaining groups? They are developments of varying degrees of difficulty to which farm groups may apply themselves.

Such groups may become an active gatherer, evaluator and disseminator of pertinent information for the purpose of better equipping the fragmented pricing system to do a more equitable job. This is a positive role of service which organized farmers can provide and should be considered as a valuable one.

"Facts speak for themselves", is a cliché long overworked and is fundamentally not true. Both the labor union economists and business economists attempt to establish rates of productivity. They often use the same facts, but they very seldom agree upon the answers. Two groups might agree upon the number of pear trees, but they might differ widely in what these data mean concerning what pear prices should be.

Differences of opinion over meaning of facts are important grist for proper pricing functions of a world of imperfect knowledge. The effective gathering and competent interpretation of market facts can be a positive role that a farm group may play. Some one must fill the growing vacuum on the farm side left by the public information services as their ability to work in fragmented semi-secretive markets declines. It is not safe to assume that the large marketing firms will remain equally uniformed.

Organized farm groups also can become active participants in securing the changes in farm production and farm production practices needed by particular buyers and seek for payment for this service. This essentially means that these groups can become the contractors for farmer-processor coordination.

Success in such activity, however, requires that farmers agree to follow needed practices and to make the needed changes. It also requires that the group organization has the power to enforce the performance of its members in fulfilling its agreement. The issue is whether individuals will give to the group the management control over their individual actions. This is not the same as a democratic, voluntary consensus of completely free farmers which is often what cooperatives consider as being a necessary ingredient of their operation.

Organized farm groups can become organized power to tussle on equal footing with market opponents. This is the classic approach of attempting to create equals in the market place and has often been called the establishment and countervailing power.

It cannot be emphasized too many times that this role requires a muscle of cohesion and supply control which seldom if ever is accomplished by a voluntary cooperative group without the outside help of the force of law. The most successful attempts in this effort have come when the cooperative group has had the extra police power of the government through the marketing order.

Now we can return to the question of whether bargaining cooperatives can succeed. I would like to restate the initial assertion that they can succeed if their goal is to accomplish certain modest goals providing information or services that may be useful in the mechanics of establishing price levels. This should not be cast aside as an unimportant activity for certainly as we proceed down the road to an increasingly proliferated, fragmented system of acquiring products from farmers, these activities are valuable.

In the efforts which require economic muscle and cohesion for bringing about needed changes or those situations in which it is hoped by the power of organization to force the bargaining opponent to grant concessions, we must face the fact that the traditional structure of cooperatives, the attitude of farmers, and the lack of appropriate legal framework all point to a very limited potential success.

Though the largest farm organization has stated that increased marketing activity is necessary, I am not at all sure that farmers have yet developed the stomach to pay the price for success for such power activities. One must remember that organized labor, even after it got its legal permission, had to fight bitter battles in which lives and property were lost before they obtained recognition from their employers.

Too many times farm leaders and farmers seem to have an attitude of dismay and fear when they cannot secure recognition for their organizations through gentlemanly activities. There seems to be a widespread attitude that good will and decent behavior will automatically secure bargaining recognition and the attention of opponents in the market place. One farm organization that has used techniques of strike which sometimes have been accompanied by violence, perhaps unjudiciously and unwisely considering the economic facts, has often been criticized as unethical by many farm groups. I think that it can be stated as a truism that when recognition is easily given to a bargaining group, it is probably tacit evidence that there is very little to be gained by the organizational activities of that group.

Unfortunately today all three of our market punches we have described are combined into one massive blow and the parts not easily separated. The giant national firms are often actively involved in seeking controls and contracts of certain facets of agricultural activity.

This is part of the cause of the breakdown of the pricing process. Honest appraisal must find a minor role for loosely organized, small, fragmented farmer bargaining groups in this developing national market of large, powerful concerns. One also has to question as to whether the appropriate legal framework is now available to allow the farmers to undertake the kinds of activities which may be necessary if they want to play in this ball park.

Apart from government help, farmers probably must face the issue that if they are going to have something to say about the food marketing system and how it behaves, then they must become a part of that system in a major way. The time is now ripe for farmers to seriously consider whether some of their capital and energies should be invested in directly owning and operating major parts of the marketing and distribution system itself.

In this way a farm group then will be in a position to allocate the returns as it wishes among the various parts of their enterprise. The only certain way to control the allocation of returns among the parts is to own and control the parts. With the limitations that most farmer groups must accept, bargaining activities must be considered a poor substitute for ownership.

CRITICAL PROBLEMS IN COOPERATIVE BARGAINING
(Grower Support)

Thomas Moore, Manager
New Jersey Agricultural Marketing Association
Glassboro, New Jersey

Before becoming a bargaining cooperative manager, I experienced some of management's frustrations while working as an Agricultural Extension Service Marketing Specialist. One leading problem, readily recognized, was grower or member support. This was true regardless of the type of farmer cooperative.

With generalities so dangerous with a critical group such as yours, I request the right to protect myself--and qualify any statements that one may wish to take issue with.

Grower Support

The subject I have been asked to discuss is grower support. With the vast knowledge and experiences represented in this room, I am not going to attempt to be philosophical. I am going to confine my attention and comments to the experiences of organizations in the Garden State of New Jersey. Particular emphasis will be upon 1965's activities.

When accepting this managerial position, the membership was small and the prospect was not overly bright. My instructions were to acquaint myself with background activities, and then build up membership. Lastly, I would be expected to do some marketing work.

We had a lima bean grower group who were active the first year, but were disgruntled at my predecessor and met me with open mutiny. Why? What did they expect of the cooperative? They had one outlet and didn't want to lose it -- they wanted to get back lost acreage, they wanted the other two counties to be organized as protection for them. They wanted to be left alone until then -- the challenge was open. We tried to get the three counties to think of themselves as one (this has been fairly successful). But the biggest challenge was to get affiliated growers in Delaware to organize along with New Jersey. This was the forerunner of an eight-state program.

This work brought out what may be the real number one desire of a member of a bargaining cooperative -- that of having all growers as members in a given area in order to be protected against the intentional shifting of acreage by the buyer who in our field of endeavor is the processor. "We want to know we have the marbles before we play the game." This is a firm demand of members.

Why don't more growers support bargaining cooperatives? How many of us have gone to sleep, and wake up, with this question on our minds? New Jersey's long history of abortive organization activities was the number one reason why growers did not want to join and support our bargaining cooperative. So many times they had been sold out by a bad decision or by a grower leader who, when the chips were down, could not stand the economic pressures he faced if he continued to be firm. When some held, the non-members were encouraged by the processors to sell out their own neighbors (and in some instances, relatives).

This had happened four years earlier and many felt they had been hurt. This was a monumental problem - flushing out the ghosts of past failures. Another reason was that key local leaders were too often getting "sweetheart" contracts from processors as a reward for "delivering" their neighbors as contractors. Breaking these smaller growers from these "false leaders" has been quite successful.

We might state here that we have had many "Braves" and few "Real Chiefs". Locating and drawing out new leaders has been a most satisfying and successful activity which resulted in getting members and their support. Some growers have been legendary in their ability to sell commodities outside their contract when situations are favorable. A strong membership agreement spelled the end to some of these historical habits.

What is the grower's responsibility in bargaining? He should be active in all possible phases of the cooperative. Keep the management accurately informed of processor and grower activities. Work hard to maintain the feeling of being good members and of having sincere leadership. Work hard to keep members in and to get nonmembers to join. Be active in committee work or in selection of committees and in supporting them.

Why doesn't he fully accept his responsibility as a member? Too often, I fear, he doesn't even know what this responsibility is. Too often he joins freely, or after much urging; and in his own mind, his job is done except for paying dues. The exception would be when the rush is on and emotions are high because of contracting problems.

Again, it is hard for some to fully accept their responsibility because they feel that they will be economically penalized if they don't do a bit of hedging. To go back to the dues-paying member -- many individuals realize fully the value of a strong bargaining cooperative, but are willing to pay someone else to do the job for them. This is what a cooperative is for in their minds.

How to Build Grower Support?

Here we bring in all the above points and discuss the 1965 activities in New Jersey, Delaware, and Pennsylvania.

I have changed my name to Thomas James "O" Moore -- "O" for Optimistic. You may think this is being naive. I have convinced myself that there is no room for pessimism in our Agricultural Marketing Association.

This has paid off. Being optimistic, and passing this on to the leaders and members, was a key factor in the growth and success of getting grower support in our area last year.

We knew we had to have members. We knew we had to offer to growers a program of truth -- one that was reasonable, rational, and responsible. We offered this and sold it.

Was it as easy as this sounds? NO. We had to create an emotional stimulus that fired the imagination of potential members as well as our members.

We worked on the need of having "enough marbles in order to play the game." Farm visits, kitchen meetings, meeting in halls, groups in cars and in buses were used to get our membership on tomatoes. When we had it we met by processor group, analyzed his position, and planned the activities needed to obtain the goals.

Members were urged to participate in decision making; they were sold on believing in its leadership; they were given the opportunity to vote on every major decision by secret ballot; they selected their bargaining committee which was charged to seek knowledge of the situation to the degree that they could support their position. This, in brief, brought a successful contracting season to New Jersey in 1965.

Success has brought us into 1966 with a group of member growers willing to support their organization and be responsible. This has led to a growing movement that has brought our neighboring states under one umbrella -- one that will need grower support.

If we give them service, other than just an effort to increase price -- then we will be in a position to have a bargaining cooperative that growers will support.

In closing, I would like to steal someone's choice words, and I quote: "It takes neither skill nor brains to sit on the sidelines."

CRITICAL PROBLEMS IN COOPERATIVE BARGAINING
(The Organization Structure)

Martin A. Blum
Chief, Fruit and Vegetable Branch
Farmer Cooperative Service
U. S. Department of Agriculture
Washington, D. C.

We may explore this topic by isolating and discussing the organizational characteristics of selected bargaining associations or we may look at organization structure in a wider context, taking into account the structural organization of an industry in which bargaining associations operate.

Using the first approach, we would concentrate on the internal aspects of associations. We would focus on concepts of organizational structure that would promote the opportunities of people -- this includes grower-members as well as the people who operate and manage associations' affairs -- to work together as a team.

We could talk about the advantages and disadvantages of line and staff structures, the flow of authority and responsibilities within the organization, the span of executive control, bases for departmentalization and so forth. Those wishing further insights into organization structure along these lines can readily draw on volumes from the shelves of business libraries.

While I certainly do not wish to imply that the theoretical as well as practical considerations involved in the "mechanics" of organizing and staffing are unimportant, I think that for our purposes here, it would be more appropriate to direct our attention to a less restrictive concept of organizational structure.

And this leads me to the second approach I mentioned -- an examination of organization structure in relation to the market environment confronting bargaining associations and the modifications and adjustments in structure and operations such organizations might consider as they seek to play a more effective role therein.

Under this approach, we must give recognition to the various influences which enter into what is called the market structure of an industry in which bargaining is to take place. These influences would include such variables as the number, size and location of buyers and sellers, contractual relationships, product characteristics, and operating tactics and policies involved in the relationships between growers and processors.

I prefer this tack because it permits a broader view of bargaining and some conjectures as to alternate courses of action bargaining groups might consider. For in the final analysis, what an organization is trying to accomplish -- whatever its objectives are -- determines what must be built into its organizational structure.

Ultimate Test

The ultimate test of any organization is: Does it accomplish the objectives of the organization? And the environmental setting largely determines what functions and services can best serve as means for achieving cooperative objectives. Thus, I think that a critical issue in cooperative bargaining is not so much one of organization structure, per se, but rather a more basic problem of reaching some agreement as to the activities and methods bargaining cooperatives might undertake to make additional contributions to the enhancement of farmers' net returns. The form of organization structure can vary considerably, depending upon the level of activity and the scope of operations involved.

Let us first very briefly look at the economic setting in which bargaining associations operate. I will confine this examination to the fruit and vegetable processing industry. Growers for the processed fruit and vegetable market have accumulated considerable experience in the field of cooperative bargaining. And if we can use as criteria the number of discussions, learned papers, and publications on bargaining, not to mention the organizational activities among growers themselves, we cannot help but conclude that current interest in this topic is very much at a high. Why is this so?

I think the answer lies in the structure of the processing industry as it has evolved, as we find it today, and even more important, where it appears to be heading. If the structure were one that could be described as perfectly competitive, the potentials of cooperative bargaining would be quite different than under conditions where market imperfections exist. There would be no economic possibilities -- or, for that matter, need -- for cooperative bargaining if the market could be described by the terms of perfect competition.

The recently released third and final report of the Federal Trade Commission covering its "Economic Inquiry into Food Marketing" raises some timely questions relevant to market power in the fruit and vegetable industry. I would like to draw on a few of the major findings and conclusions from this thorough-going study to give you some insights into the situation facing growers.

According to the Federal Trade Commission (FTC) report "Quite clearly, canned fruits and vegetables are being marketed under conditions of increasing concentration. Not only are the top 20 canners doing an increasing share of total business, but the competitive fringe of smaller canners is shrinking, as smaller canners are becoming less capable of offering effective competition to the leaders."

A Statistical History

This, then, is the situation in spite of the fact, that in comparison to many other industries, entry into fruit and vegetable processing is relatively easy. That competition is indeed keen is evidenced by the decline in numbers of fruit and vegetable establishments and the increase in their size since the end of World War II. Between 1947 and 1963, the number of firms processing fruits and vegetables declined from 2,265 to 1,422.

However, during the same period, the value of their production increased from \$1.6 to \$2.7 billion. FTC contends that if present trends continue, many more canning firms will leave the industry during the next decade -- perhaps as many as 400 of the companies operating in 1958 will have been acquired or dropped out of the industry by 1970. Any changes in market structure or business practices which add to the already dominant position of the leading canners will widen the gap between them and potential entrants, as well as others already in the industry. (The 20 largest canning companies made 55 percent of the sales in 1958; the 4 largest made 29 percent of industry sales.)

In the FTC view, any acquisition by one of the dominant firms involving a direct competitor may not only constitute a threat to competition in the industry but would encourage further the trend toward vertical integration and concentration in food distribution.

I think that we can reasonably conclude that a state of imperfect competition exists in the fruit and vegetable processing industry. At the same time, it is also generally conceded that the retail grocery chains pose a more significant problem to market power than do the processors. I believe I am right in interpreting present developments in the fruit and vegetable processing industry as a response, at least in part, to the impact of the growing share of grocery business being done by chainstore organizations - voluntary, cooperative and corporate. At any rate, if we use the criteria often advanced as a "must" for a successful bargaining environment -- that is, a limited number of buyers -- I think we can conclude that the present structure of the processing sector sets a stage wherein bargaining cooperatives do have opportunities in varying degrees to influence certain markets to the benefit of their grower-members.

Now I would like to take a quick look at developments occurring on the other side of the fence -- namely, the producer sector. Here, it is quite obvious that relative to processors, there are a large number of small growers. This in itself can be an obstacle to organization. But the fact is that organizational activity has progressed and is continuing even though a historical review of cooperative bargaining activities would show that the achievements of many of these groups often fall far short of the initial expectations of their organizers.

In view of the changes occurring in the processing and food distribution sector, cooperative leaders are faced with a continuing challenge to gear cooperative structure and organization to emerging trends and developments. New conditions may call for new types of cooperatives, or at the very least, an expansion of functions of existing associations to provide a broader range of services.

Picture Today

Farmer Cooperative Service (FCS), as most of you know, is strongly committed in its research and advisory work to provide objective information and evaluations to growers interested or already involved in cooperative bargaining endeavors. As a part of this program we obtain data portraying past and present organizational activities in fruit and vegetable bargaining. I would like at this point to cite some preliminary FCS statistics to add to our picture of the structural elements in the fruit and vegetable processing industry.

Number of Associations

There are 70 fruit and vegetable bargaining associations in existence today. Of these, 50 are currently negotiating with processors. Twelve provide informational services only and 10 are just existing. Also included in this figure are five cooperative participating plans which are more of a profit-sharing arrangement.

Although bargaining in fruits and vegetables can be traced back to 1919, it was not until the post World War II period that organizational activity accelerated. For example, 95 of 110 associations organized since 1919 were initiated since 1950. Of the 38 associations which disappeared during this period, 22 discontinued operations completely and 16 were merged into other organizations.

The recent acceleration in organizational activity appears to be closely related to the concomitant decline in numbers of processors.

Growers, confronted with fewer but larger processors apparently have found it more important to offset the resulting increased power of processors by attempting to develop countervailing power through organizations of their own. But judging from the number of discontinued and semi-dormant operations, it is apparent that the road to countervailing power is not an easy one.

Size of Operations

The farm value of crops represented in negotiations (including the five participating plans) was more than \$192 million; however, if we do not include those participating plans, 43 bargaining cooperatives controlled approximately \$120 million in 1964. This is a substantial increase over the estimated \$90 million represented by the 25 associations negotiating in 1958 -- the year of the first benchmark study of cooperative bargaining made by FCS.

Using number of growers as a measure of importance, we estimate the current membership of active bargaining groups to be in excess of 20,000.

I think we can all agree that bargaining cooperatives have a long way to go before they exhaust their potentials either in terms of the volume of commodities or number of growers represented.

There are, of course, many additional variables we can use to describe the organizational aspects of bargaining in the fruit and vegetable industry. But I do not wish to burden you with additional statistics. I think I can generalize by saying that bargaining associations are for the most part incorporated under the cooperative acts of the States in which they are organized; are mostly of the centralized type -- that is, growers hold membership directly with the association; operate mostly within a local or statewide area; and represent, most typically, a single crop -- that part of the crop used in processing.

From an organizational point of view, bargaining cooperatives are very much like other cooperatives -- their chief distinguishing feature being that as a rule they do not physically handle the crops they represent, but rather negotiate contract prices and other terms involved in selling to processors.

Bargaining leaders must, of course, continue to appraise and reappraise their present operations and activities. But study and evaluation is not an end in itself. It is only a necessary prerequisite to action. That there are no easy solutions or panaceas for achieving effective group bargaining needs no emphasis here.

Kinds of Cooperatives

Those of you who were present at last years' bargaining conference at Seattle undoubtedly will recall that during one of the sessions of that meeting you were given the opportunity to participate in three working groups to discuss important problems associated with cooperative bargaining. While I did not have the privilege of attending and joining in those discussions, a summary of that transpired was made available in the published proceedings of the conference.

I was particularly interested in reviewing these summaries because many of the issues examined and questions raised last year would appear to be quite germane to a discussion of organizational structure. The ramifications of Work Group B which explored the topic "Organizing for Effective Bargaining" and Work Group C which sought new directions bargaining cooperatives might take were of especial interest to me in thinking about organizational problems. I am sure that those of you who participated in these Work Groups found them to be useful and stimulating exercises and all that transpired during the sessions undoubtedly was not recorded for posterity.

What struck me more than anything else after perusing the work group reports was an apparent absence of a consensus on the part of cooperative bargaining leaders as to the type of organizations to form. For example, one group (Group C) arrived at the conclusion that since various ways to achieve bargaining power have been used successfully, it would seem illogical to require one set pattern of organization. But this same group did go on to say that it would be worthwhile to lay ground rules recognizing that they would differ between crops as well as between regions and States. Not surprisingly, the participants of the other group (Group B) also thought it would be presumptuous of them to recommend one type of organizational structure over another, because in their words "each problem and commodity character will lend direction to choice of organization -- and -- the type of organization may not be as important as the understanding developed within the membership and prospective members."

So, as one somewhat removed from the central bargaining arena, I think it would most certainly be presumptuous of me to tell you how to organize your activities - even if I knew. But, I do not, in the least, feel restrained from raising some questions, the responses to which in my opinion could have considerable bearing on the kinds of organizational structures developed.

As I indicated earlier, I think prior to the formulation of any organizational structure, it is important to make a determination as precise as possible of attainable objectives or goals within the given problem setting. Only after this process is completed can one raise the question of just what type of organization structure would best make meaningful and lasting contributions toward the solution of a given problem situation.

Currently there appears to be lively interest in bargaining circles in the merits and possibilities of enlarging the scope of bargaining activity to a regional and even a national basis. At first blush, the idea of a nationwide coordinated bargaining effort appears highly attractive. But the concept may lose some of its appeal when we look into the nuts and bolts of how to bring such a scheme into reality. For one thing, who is to assume the leadership for such an undertaking? Should the proposed association be developed along single-commodity or multi-commodity lines. Should it be set upon a centralized or on a federated basis?

The responses to questions such as these, and I am sure you can think of many more, could not only decide the type of organization to set up, but could also have a pronounced impact on the structure of an entire industry. Thus, in exploring this avenue, we would not only have to give careful attention to the economic aspects of the problem, but also give due consideration to the sociological and even political factors which could influence organizational decisions.

Should Cooperatives Add New Services?

Another topic which seems to receive considerable attention from time to time concerns the desirability or feasibility for bargaining associations to assume new or additional functions. Most frequently mentioned here is the possibility of expanding into processing. There may be further opportunities here but it is well to keep in mind the current trends in fruit and vegetable processing I mentioned earlier.

In this connection, I think that Harold Breimyer, Staff Economist, Office of the Administrator, Consumer and Marketing Service, U.S.D.A., raises a significant question when he wonders if processing really has much to offer considering that the power center now seems to have moved out of processing to giant food retailers. But if there are, in fact, twin centers of power, one in processing and one in retailing, the idea of entering into processing may have some potential.

Turning to another area, the function of providing informational services is well recognized among cooperative bargaining leaders. This may be an especially useful device during the formative stages of organization as membership is being built. If the service is useful, it can serve as a basis for increasing membership and grower support and can lay the foundation for at least minimal support from processors. However, the activity of an information-oriented organization over the long pull may be limited to the extent that production and marketing information is available to all producers from public and private sources. If providing information is the sole objective, certainly the organization would have to provide something well beyond that is available from, say, State or Federal government agencies.

Market development and product promotion is of course still another function which may deserve the attention of bargaining groups. Growers and processors could perhaps work together on this -- especially if the commodity under consideration is produced in a specialized area. I recognize that much activity of this type is already underway, usually under the auspices of quasi-governmental agencies or organizations established through state enabling legislation. I merely mention this approach as just another possibility for developing a nucleus around which growers may cluster and perhaps expand activities into other areas of service.

And this leads to another interesting question. Considering the voluntary nature of bargaining cooperatives, can they in the long run succeed without the assistance of Government support such as is provided under State or Federal marketing orders and agreements? Today many of the processing outlets are specifically exempt from market order regulations or are often not regulated under these programs. This, in spite of the fact that the trend appears to be toward increased consumption of processed products and a declining consumption of fresh products. Do bargaining cooperatives need or want legislation to correct this situation?

As yet another alternative -- what about the possibilities of developing more grower-processor profit sharing arrangements along the lines of the participation plans we find in the Florida citrus industry? Under these plans growers are assured a home for their product and an opportunity to share in the profits from a processing operation without needing to make investments in processing facilities. Of course growers under these plans must also assume the risks associated with the processing and marketing of the finished product. I suppose one might visualize a situation where this type of arrangement could evolve into a "company" bargaining cooperative. But if this were to happen, I seriously doubt if growers would remain with such an organization for long unless other alternatives were totally unacceptable. My impression is that in Florida at least, growers and processors have found these participation plans advantageous. Perhaps this type of organizational setup may have application and offer benefits to producers in other commodity and production areas.

I am sure that you can think of many more ramifications that could be introduced into this discussion. But in investigating alternative ways and means for organizing, we should keep well in mind the constraints set by the economic environment in which the bargaining is to take place. Perhaps as a result of this or some future conference someone will come up with a brilliant inspiration which could correct or at least alleviate the imperfections in our present system.

But as a rule, new ideas are not easy to come by and certainly, their implementation can prove to be just as difficult if not more so. I think that when we speak of organization we should not lose sight of the fact that we are really talking about organizing people to get a job done. And I think that we can all agree that the area of human relations can pose some especially knotty problems.

So to meet the challenge of organizing farmers and keeping them organized, we will most certainly need an inspired leadership -- leaders endowed with a philosophy of growth who at the same time give due recognition to the economic as well as the non-economic realities involved in cooperative bargaining and are not easily discouraged.

X
CRITICAL PROBLEMS IN COOPERATIVE BARGAINING
(The Legal Climate for the Growth of Cooperative Bargaining) +

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The subject that I have been assigned comes under the general title of critical problems. Putting the subject under this title gives some evidence of the concern that people are beginning to show over the legal climate that does exist and under which cooperative bargaining associations are expected to operate. There are many of you who have expressed a wish for an improved legal climate. However, in order to understand where we have been and where we are and where we go from here, perhaps it would be well to review the environment under which we have operated for these past years.

Basic Cooperative Acts

We are all aware of the many efforts that have been made over the years to cure farm income and price problems with legislation. The success of these various State and Federal laws has been varied, but it is rather interesting to note that nearly every State or Federal law dealing with the subject of agricultural marketing adjustment has as its aim to enhance and improve farm income.

The Capper-Volstead Act which was passed in 1922 purported to give certain protection to cooperative associations. It established the right of farmers to organize a cooperative, the right to act together, to have marketing agencies in common, and required as a condition that the amount of nonmember business must be less than the member business. One of the most significant portions of the act was that it gave to the Secretary of Agriculture restricted jurisdiction over the operation of cooperatives by permitting him to issue a complaint, hold hearings and to issue cease and desist orders against any association found to be monopolizing or restraining trade or "unduly enhancing prices."

No Secretary of Agriculture has ever issued a complaint, to my knowledge, under the Capper-Volstead Act. The Act does not put cooperatives outside of the antitrust laws. Basically this law undertakes to give to farmers equality with industry and not special privilege.

Until 1951 cooperatives enjoyed certain tax advantages which since that time have been substantially reduced or eliminated, so that the incentives for seeking higher returns through the formation of new farmer marketing cooperatives has been sharply curtailed. Nevertheless, the cooperative marketing and supply cooperative does, in some instances, enjoy a corporate advantage not available to ordinary business corporations.

The tax advantages, however, are now rather limited and sufficiently unattractive to have caused nearly one-half of the cooperatives in the United States to operate as a nonexempt cooperative, thereby paying taxes and computing their net income in many respects just as any other commercial business does. The farmer member or patron of a cooperative under the new laws has had a distinct advantage removed by virtue of the changes in the Revenue Act that commenced in 1951. Today the patron of the cooperative is required to pay taxes on paper notwithstanding the fact that his actual payment of cash may be delayed for some years.

There are many other regulatory statutes that affect agricultural return. Most of these deal with such things as grade standards and have as their primary objective to protect the consumer and the interest of public health and welfare. There is a series of laws that were passed in the 1920's and 1930's that undertook to enhance income from the production of crops or to protect farmers against exploitation on the part of buyers. I refer to such laws as the marketing regulations for milk, marketing practices regulated by Federal Statutes such as the Packers and Stockyards Act, the Agricultural Marketing Act of 1937, the Triple-A legislation passed in the 1930's, and many other legislative acts that undertook to give to farmers protection from exploitation or some advantage with respect to their marketing activities.

In addition to these specific laws for agriculture there are advantages that farmers have under the exemptions that are granted farmers from the National Labor Relations Act, from the Fair Labor Standards Act and for exemption from the certificate requirements of the Interstate Commerce Act.

These are but a few of the many laws and regulations that have been designed to create orderly marketing and enhance farmer income, but most of these laws were created or developed during the 1920's and 1930's and many in agriculture are questioning as to whether or not today's market environment, which is vastly different from that which existed during the 1920's and 1930's, hasn't changed the needs that farmers have for continuing equity in the market place. This undoubtedly is why many in agriculture are seeking a better legal climate. However, not only is the marketing environment different, but the political environment is different too. Today farmers do not have the political muscle or influence that they had in the 1920's and 1930's. Bearing this in mind and knowing what farmers want and what they don't want as a legal and legislative climate provides a challenge of heroic proportions to farm leaders today.

Need for Stronger Marketing Power

For reasons well known and discussed, and to be discussed at this conference, farmer marketing power must be strengthened. My assignment is to discuss the need for a new legal climate to induce farmer marketing power. There are certain things that farmers may want but the price of the regulations that may be necessary to achieve such objectives may be too much for the farmers to pay as of this period in time.

The idea of a large central cooperative which would have absolute control of the sale of all of the farmer's product would be effective but probably would not be acceptable insofar as most of the farmers in the United States are concerned. Likewise, the concept of mandatory membership in such an association has been tried but failed.

In spite of our current marketing environment, farmers are not prepared, in my opinion, to make the sacrifices necessary to achieve the real product control and thus marketing power which they would like to have. Basically, farmers object to increased Government regulations or Government controls; but if we undertake to seek Federal or State legislation, inevitably with that objective must go some kind of Federal regulation over the activities of the farmer and his association.

I do not intend to imply that we may not eventually reach this point at some time, but current needs and influences are such that to explore this line today would be merely an exercise in speculation. Farmers do believe that they are entitled to and deserve a better legal climate for price bargaining than exists today. The laws of the 1920's and the 1930's are no longer the effective instruments that they were intended to be during the 1920's and 1930's. The comprehensive changes in our marketing system, the wider use of contract marketing, the fewer buyers and distributors when coupled with the increased costs of production, have all served to stimulate interest on the part of farmers in changing the environment under which they bargain for prices today.

Cooperative bargaining associations have in many fields demonstrated their effectiveness and their value to farmers. Cooperative bargaining associations are not an answer to the farm problem, but they do provide a good potential tool for price bargaining and for gaining farmer marketing power. Their development over the years, however, has shown that certain shortcomings and weaknesses exist in the operation of cooperative bargaining associations that adequate legislation might effectively overcome.

There are many buyers who are apprehensive over the results that may flow from increasing farmer marketing power. These buyers will resist any moves in this direction. The effectiveness of such resistance will be influenced by the reasonableness of the grower position as well as a demonstrated need for an increased bargaining strength for farmers.

Bargaining associations have in many cases failed to enjoy the farmers' support to which they are entitled because of their inability to provide an attractive alternative to direct selling by the farmer outside of the operations of the bargaining cooperative. Many otherwise successful organizations are frustrated in obtaining their legitimate objectives by buyer tactics that are designed to weaken the association or destroy it. It is not unusual to find processors and buyers undertaking to return a slightly higher price to nonassociation growers on top of the association prices to nonmembers in an effort to weaken or destroy the associations.

No association should be expected to operate in such a climate that affords such an attractive opportunity for weakening or destroying the association. This is particularly true when farmer profits are narrow and subject to the influence of excessive supply situations. However, the apprehensions of the buyers must also be taken into account. No handler or processor wants to find most of his raw material resources in unfriendly hands. The more militant the bargaining association, the greater will be the buyer's resistance to permitting the association to grow stronger. Likewise, the attitude of the buyer towards his grower suppliers has much to do with the farmers' need for a strong association.

It is rather unique that the Secretary of Agriculture has never issued a complaint against a cooperative association under the Capper-Volstead Act. One can only conclude that either the cooperatives have operated in a manner that has not "unduly enhanced prices" or else the various Secretaries of Agriculture have failed to carry out their responsibilities. Perhaps of even more significance is the fact that there probably has never been a bona fide complaint filed against a cooperative by anyone. I can only conclude that cooperatives generally have not operated in a manner calculated to unduly enhance prices.

The limitations that are provided in the Capper-Volstead Act when added to the implications of the Supreme Court decision in the case involving the Maryland and Virginia Milk Producers, and the threat of third party actions under antitrust laws, should, and in fact do, provide protection to the consumer and to the handler against unreasonable actions by bargaining associations. It can be argued then that if these limitations and protections provided by law are in effect, that similar limitations and protections need to be imposed upon the buyer.

Today's Legal Environment

Today our legal environment in effect permits a cooperative association to gain a monopoly position and thus wield power to enhance prices provided they are not "unduly enhanced" and that the procedures used are such that antitrust laws would not be violated. There are

many that believe that this bulwark of protection to the consumer and the buyer that is woven around the cooperative association and more particularly the cooperative bargaining association needs to be offset by a similar bulwark of protection against unfair trade practices on the part of the buyer with respect to the operations of the bargaining association.

There are many associations that have found that despite this seemingly desirable legal climate that buyers have successfully frustrated their attempts to gain a strong position, despite the protection offered by the law. Buyers in many cases used unfair tactics to weaken or destroy associations.

In California the legislature adopted a statute that was designed to stop certain unfair practices of cannery buyers. The California statute provided that farmers would have the right to join or belong to cooperative bargaining associations and any attempt on the part of processors, handlers or other buyers to:

1. Interfere with, restrain, coerce, or boycott producers in the exercising of their rights.
2. Discriminate against cooperative members with respect to price and nonprice terms.
3. Offer valuable inducements to producers to get them to refrain from bargaining collectively, and
4. Spread misinformation regarding the nature and operation of bargaining associations. This is declared to be illegal. We have not had much experience under this new law. In fact the only people who have had any experience are those in the association I represent and we have found that the Director of Agriculture did not seem to be as interested in protecting the rights of farmers and their associations as we had hoped would be the case when the statute was adopted by the legislature. Nevertheless, it does represent an attempt to strengthen the bargaining position of cooperative associations.

The complaints of many bargaining associations are primarily found in their inability to gain recognition from buyers and the unfair practices of some who would weaken or destroy the organizations. The national legislation now proposed in the Seacrest-Aiken Bill is modeled after the California legislation. The bill does not, however, overcome the problem of recognition.

Legislative Opportunities

The increasing national emphasis on enhancing farmer bargaining power and the trend towards changing farm programs to embrace new and different solutions may have created the opportunity for developing new legislation. If so, it should be specifically designed to enhance the legal climate for cooperative bargaining in the future. In my opinion such legislation would need to provide certain provisions to answer the complaints of growers and grower associations that have tried to operate in the bargaining field during the past several years. These are some of the provisions that I believe would be necessary in any such legislation:

1. A clear-cut policy statement setting forth the importance to the national economy and to farmers of maintaining strong cooperative bargaining associations for the purpose of enhancing the prices of farm production to reasonable levels and depending upon the Secretary of Agriculture's authority in the Capper-Volstead Act to limit undue enhancement of price through the operation of a bargaining association.
2. Conditions under which cooperative bargaining associations must be recognized by buyers.
3. Creation of a statutory obligation on the part of the buyer to bargain with a recognized bargaining association.
4. Establishing the unqualified right for producers to belong to cooperative bargaining associations and setting forth penalties on any buyer who would interfere with such rights in a manner similar to that found in the California statute.
5. A delineation of unfair practices that would be prohibited on the part of both buyers and the association.
6. Conditions under which the industrywide bargaining may be conducted by a cooperative bargaining association.

These suggestions contemplate that there will be increased regulations upon the farmer. Let me point out that in addition to the prohibition against undue enhancement of prices already contained in the Capper-Volstead Act the suggestions which I have made contemplate setting forth conditions under which cooperative bargaining associations must be recognized and here we have a matter of Government regulations. The same thing is true with delineating unfair trade practices on the part of associations who may be subject to third party lawsuits - then perhaps the best thing to do would be to delineate what those unfair trade practices are that might get associations into trouble.

Another regulation would involve the conditions under which the industrywide bargaining would be conducted by cooperative bargaining associations. I am not sure that farmers are prepared to accept the increased regulations that are contemplated under the suggestions that I have made. But, nevertheless, if we are to take seriously the objections that farmers have found to the inequity with respect to their bargaining position, it is through a series of provisions such as I have outlined that I believe they could assume a stronger position than they have in the past.

The question that farmers and associations need to ask themselves is whether or not they are willing to accept further regulations in an effort to assume greater bargaining strength and market power.

X
THE ROLE OF BARGAINING COOPERATIVES IN THE ACTIVITIES
OF THE NATIONAL COMMISSION ON FOOD MARKETING +

Marshall R. Godwin
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The National Commission on Food Marketing
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It was little less than one year ago that the National Commission on Food Marketing began full scale operations. Much has been written and spoken about the Commission since it set about the formidable task of studying the food distribution system of the Nation, and it is my judgment that most of those assembled here are generally familiar with its activities.

However, to establish the framework within which fruit and vegetable bargaining associations are being considered, a brief review of the organization and orientation of the Commission appears desirable.

The Commission consists of a bipartisan group appointed by the President and the Congress. It was established by Congress as a tangible manifestation of public interest in our marketing system -- an interest in how it is working and how it can be made to work better.

Commission Chairman is Phil S. Gibson, retired Chief Justice of California. Members include Senators Manguson, McGee, Hart, Morton, and Hruska who were appointed by the President pro tem of the Senate; Representatives Sullivan, Purcell, Rosenthal, Cunningham, and May, appointed by the Speaker of the House; and William M. Batten, Fred J. Marshall, Elmer R. Kiehl, Albert K. Mitchell, and Chairman Gibson, appointed by President Johnson.

The Commission is examining five major areas. One deals with retailing; the remaining four cover marketing of principal commodity groups that make up the national food supply. These four groups are: Fruit and vegetable products, meats and poultry products, bakery and cereal products, and dairy products.

In each of these areas, the Commission is carrying out the mandate of Congress. This mandate directs the Commission: (1) To study the past and prospective changes in our food marketing system; (2) to appraise the system's efficiency and competitive structure, and (3) to recommend changes in public policy that would foster a marketing system more fully reflecting national objectives of competition and efficiency.

How the Commission Gets Its Information

In the Fruit and Vegetable Project as in the other four project areas, the Commission has been vigorous, persistent, and diligent in its effort to discharge these responsibilities. Public and private hearings have been held in several major fruit and vegetable areas of the country. These hearings have given producers and marketing firms an opportunity to explain their problems and the Commission has made a concerted effort to obtain testimony reflecting different points of view. The Commission staff has made special studies of trends in the fruit and vegetable industry, the industry structure, and the competitive relationships among firms and between levels in the distribution system.

The Commission also has obtained assistance from agencies such as the U.S. Department of Agriculture, the Bureau of the Census, and the Federal Trade Commission. It has contracted with individuals and firms possessing special capability to explore certain facets of the fruit and vegetable industry. And, several industry groups have made statistical studies to provide information to the Commission.

In the foregoing, I have attempted to explain how the Commission has accumulated facts and opinion. I should like to turn at this point to a question of more specific interest at this conference -- namely, the basis for Commission interest in the role of bargaining associations in marketing fruit and vegetable products. While I will be unable to comment on the results of Commission deliberations, I hope to show how the examination of producer bargaining groups fits into the Commission's over-all study of the fruit and vegetable industry.

What Commission Studies

A major responsibility of the Commission is to study how the fruit and vegetable industry is changing, the reasons for these changes and their economic implications. The evolvement of the industry in recent years has brought significant alterations in the balance of market power. Many contend that these changes have disadvantaged the producer. This premise has led to greater interest in collective bargaining and, more specifically, bargaining association.

The Commission is giving close attention to the growth of fruit and vegetable bargaining associations during recent years. It is examining the alternative approaches to producer bargaining and the variations in effectiveness of these efforts. It is looking at the range of experience -- the successful and the unsuccessful ventures -- with different products and in various regions of the country.

Mindful of its broader responsibilities, the Commission is also viewing producer bargaining efforts to determine how much they have influenced out current market structure and how much they are likely to change it in the future.

A bargaining association may do more than alter the market structure just at the producer level. The Commission is also inquiring into the effect of bargaining associations on processors -- specifically, the way processors have adjusted their operations in response to bargaining associations.

A most important question before the Commission goes beyond producers and processors. It involves the consumer -- for the consumer also is a client of the Commission. Thus the Commission is giving close scrutiny to the potential effect of producer market power on prices the consumer will pay for processed fruit and vegetable products.

Another Congressional directive to the Commission is to evaluate present and future efficiency and competition in the food industry. It is not enough simply to say price is the product of supply and demand. Groups responsible for interpreting supply and demand into a price must be identified and the mechanics of the process evaluated. The bargaining association is a group approach to this interpretive process.

From an efficiency standpoint, the Commission is inquiring into the actual and potential marketing economies of such associations. The most important of these economies would seem to be the savings associated with price discovery. The Commission is interested in the present and potential savings of group, rather than individual, price discovery. Bargaining associations can reduce costs of obtaining information needed in the pricing process, and the information gathered by associations is an added element -- an element not available in a system depending entirely on individual action.

The Commission also is inquiring into the buying and selling economies that bargaining associations provide. The Commission is interested in the present and potential economies in representation costs, contractual costs, and higgling costs. Group bargaining may provide substantial savings both to buyers and sellers in terms of the resources committed to the bargaining process. The Commission seeks to determine the extent of these economies and whom they benefit.

The Commission's interest in marketing efficiency has led to an evaluation of the costs of product specification errors and the place of the bargaining association in reducing these errors. The changing marketing system places a premium on the ability of firms to closely control not only product quality but also handling and delivery terms. The Commission is exploring the capability of bargaining groups to control quality and reduce costs arising from the risk and uncertainty involved in the transfer of products from the producer to the processor. Through quality control programs and voice in contract specifications, the bargaining association may make important contributions to product specification economies.

From a competitive standpoint, the Commission views bargaining associations as an active competitive factor in the market place. These associations bring about a significant change in the procurement alternatives of buyers and sales alternatives of producers. Here are some questions that the Commission faces:

- On balance, does a bargaining association lessen or increase competition between producers and processors?
- How does the bargaining association affect competition at later stages in the marketing process?

The Commission is further concerned with the effect of the bargained industry sector on the non-bargained sector. It seeks to determine not only what portion of industry supplies are necessary to a successful bargaining effort, but also the effect of partial bargaining on competition among buyers and sellers not subject to the bargaining process.

The third congressional directive to the Commission is to appraise public policy toward the food industry. This directive may be regarded as the wellspring of the Commission interest in bargaining associations. The legal tools provided producers for collective action represent a public faith. A faith that, with proper organizational instruments, small-firm agriculture can fairly and effectively deal with larger firms in the marketing sector. The Commission's task is to appraise the truth of this premise. Should it find that the legal tools available to producer groups fall short of their needs -- or grants them power that they use against the public interest -- then it has the obligation to recommend changes.

Public-Private Marketing Mix

The Commission's appraisal of bargaining associations is important in its efforts to define the proper public and private mix in dealing with marketing problems. In this sense, the examination of bargaining associations by the Commission is a study of the desirability and feasibility of self-help programs in the fruit and vegetable industry.

In its hearings, the Commission has been informed of the present strengths and weaknesses of bargaining associations. Some witnesses have testified that in many cases bargaining associations have not yet fulfilled their promise. The Commission is considering why this may be so.

Regardless of its appraisal of producer bargaining associations, the Commission will be called upon to identify the structural, legal, and institutional prerequisites for successful group action on the part of fruit and vegetable producers. Forecast changes in the forward segments of the marketing system may well signal the need for new or supplementary instruments of government to reach this goal. These needs can be determined only through a full consideration of how well producer groups are using the tools available to them.

The Commission seeks a better understanding of the relationship between bargaining associations, marketing and processing cooperatives, market orders and agreements, and commissions or boards for product promotion. All of these have the common goal of improving the economic position of the producer. The Commission is studying the impediments to joint use of these organizational devices and their limitations as a means whereby the producer can achieve the market power which he seeks. From this study the Commission hopes to develop an understanding of the problem that will lead to judgments regarding whether producers need more, less, or different programs to preserve the integrity of their position in the market place.

In Summary

The task of the Commission can be summarized as a search for equitable and efficient alternatives in the midst of rapid economic change and shifts in the balance of market power.

In consequence, the Commission has a vital interest in the effectiveness and future growth of bargaining cooperatives. Their import extends beyond the fruit and vegetable industry. They are a recently developed economic tool having potential application to all producer groups. They are a means by which producers can influence their economic environment and achieve economies in the marketing process. These are goals highly consistent with the basic objective of the Commission -- a marketing system that is efficient, equitable and capable of best serving the needs of all the people.

X THE DEPARTMENT'S INTEREST IN
BARGAINING COOPERATIVES +

John A. Schnittker
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Washington, D.C.

Since I come from a great wheat and livestock state, Kansas, I will need to plead some measure of ignorance on your specialty here today -- fruit and vegetable bargaining cooperatives. It is the better part of wisdom to recognize one's limitations. So I will confine my remarks to explaining why the Department is interested in bargaining cooperatives within the broad framework of its genuine interest in farmers and consumers, and in cooperatives as a vital institution of modern agriculture.

Growth of Bargaining Cooperatives

I did do some homework, however, and find that bargaining cooperatives had their beginning with milk producers as far back as 1883 -- and this finds them being spanked into their first breath of life in about the same period as some of our other types of cooperatives.

In the time since their beginning over three quarters of a century ago, producers of fruits and vegetables for processing, sugar beets, milk, and some other products, have evolved techniques for successful bargaining through associations formed for the purpose.

Today, bargaining cooperatives occupy a unique place in American agriculture as the type of cooperative that does not physically handle a product. Instead, producers put their faith in the age-old tool of negotiating on a face-to-face or voice-to-voice basis as they bargain with the buyer of their crops or livestock products.

I see bargaining cooperatives as a vehicle of horizontal group interest and action. Through them, a number of producers in an area join to speak with one voice as they seek, through negotiations with buyers, to establish a raw product price or to agree on other terms of contract or sale.

As instruments for getting the best price possible for growers, bargaining cooperatives make important contributions to improving farm returns.

Their development has come from external factors to which farmers have responded through organizing such associations. Among these have been new methods of raw product procurement, structural changes in production and marketing, and in more recent times, Government programs.

Actually, history shows that the growth in marketing power of dairy bargaining cooperatives occurred following the passage of the Agricultural Marketing Agreement Act of 1937 which authorized Federal marketing orders.

As a Federal marketing order system evolved in milk marketing, it became essential for milk producers to be organized so they had proper representation in the hearing process which is a part of the system by which the classified milk prices and other particulars of milk orders are arrived at.

I find also that practically all sugar beet producers are members of bargaining cooperatives -- and that these cooperatives have several important functions. One is to bargain with processors over terms of contracts under which sugar beets are produced. Another is to represent producers with respect to the operations of the Sugar Act administered by the Department of Agriculture. And still another is to provide assistance on production techniques.

Growers belong to a local sugar-beet producer association. These associations, in turn, represent their members in one of the four regional organizations that negotiate annual contracts with processors.

Now to turn to your own type of bargaining cooperatives for fruits and vegetables. I am told that most of these are comparatively new, with the majority coming into being since World War II. And I certainly don't need to trace this development and growth. You know that far better than I.

Reasons for Growers' Interest

I want to discuss rather why growers have used this form of cooperative and to explain the Department's interest in this development.

Growers have set up bargaining cooperatives basically to get better prices and to secure more equitable and more clearly understood terms of sale than they could obtain as individual sellers. In other words, growers use these cooperatives to remedy their lack of bargaining strength or market power.

Where bargaining cooperatives aren't in the picture, growers operate in this kind of environment -- processors contract with them to produce and deliver a certain type of product, negotiating with the growers on an individual basis as to price and other terms.

Very often, the geography of the industry reduces the number of alternatives open to a grower. Growers frequently are located as satellites to a single plant, or at most two or three plants.

Also, under conditions of plentiful supplies of farm products and with the mixed blessing of the ability to overproduce, a grower can find himself in a still more precarious position if he bargains as an individual. For he is then competing with all the other producers of his crop for a contract and with processors who see before them more products than they require.

The trend toward bigness everywhere in our economy is also another reason for the use of cooperative bargaining. For while farm units are becoming fewer and larger, the processors are outpacing this trend by becoming even fewer and even larger. So farmers have fewer buyers with greater bargaining strength to deal with, and the necessity to join together becomes more urgent.

Another trend that is responsible for growers' interest in bargaining is increased specialization on the farm itself.

A farmer who gets income from several crops, or who may be growing a fruit or vegetable as a sideline, hasn't as much interest in the price of any one of his crops as if his entire livelihood depended on that one crop. He of course will want to get as much as he can, but will not be quite as concerned if he has another ace in the hole or crop in the ground.

I understand that the failure of one vegetable bargaining cooperative can be traced back to the fact that many of the farmers did not depend on vegetable crops for their main source of income.

The specialized producer can't afford such a lack of interest. With him it's all or nothing from perhaps just one crop. It's to his benefit to use the best tools available to try to get the best price and terms.

Thus, looking at cooperative bargaining associations from an economic standpoint, we find that they can be and are important instruments for raising producers' net income. This is true even though bargaining cooperatives have seldom been the sole answer to improved markets for commodities concerned.

Moreover, improved contracts, increased stability of price, and development of greater business acumen by farmer members can all be cited as longrun benefits of collective action. If over emphasized, short-run gains may actually impede future association progress. Maintenance of open communications both internally and outwardly in market contacts has been an important and necessary part of association growth.

Reason for Department's Interest

The Department has made it clear repeatedly that it does support and endorse cooperatives -- all types that provide bargaining, marketing, purchasing, and other services to the Nation's farmers.

Secretary Freeman has issued a Policy Statement making this point, and has taken many actions to back up the policy -- working closely with the National Cooperative Advisory Committee, calling on the Department's various agencies for intensification of their work with cooperatives, and making abundantly evident his personal and official backing of cooperatives.

Endorsement of cooperatives also comes from President Johnson. During the Cooperative Month Observance last October, he said:

"Cooperatives give our American farmer a greater voice in how to buy, sell, and receive necessary supplies, marketing and other services. They provide an essential business tool for rural America. Their vital role in our economy makes it imperative that more of our people know and understand the important partnership which they form."

The Federal Government's interest in cooperatives rests first on its concern for the general welfare of all its citizens. Cooperatives contribute by raising their members' income, providing jobs, and adding to farmers' buying power. They also help provide quality food and fiber for consumers, and spark efficiencies in both supplying goods and services to farmers and marketing farm products.

The Department of Agriculture's interest is more definitive. While we have the broader scope of the total population in our minds at all times, we also have a specific and legislatively charged responsibility for farm policy.

For several decades, and particularly since we moved into the period of great agricultural productivity after World War II, the policy has been to develop programs and methods of operations that would:

- Help farmers receive a fair, or parity, return as they use their great productive skills;
- Help consumers to enjoy the benefits of farm productivity, primarily through improved marketing;
- Find ways to avoid costly surpluses.

We now feel that we have made progress toward these goals with the Food and Agriculture Act of 1965. This Act provides flexibility to keep us in step with a dynamic and changing agriculture and also makes possible a certain stability for all of us in that we have some distinct guidelines for the next four years.

One thing the new legislation does recognize -- that the marketplace is the best mechanism to determine the flow and pace of commercial agriculture.

And we continue to recognize the concept of the family farm as the basic production unit for our food and fiber. The individual farm enterprise of this country is a highly efficient and socially desirable production unit. In fact, it is a model for the world -- and particularly so in the face of the current concern over the awesome potential for hunger and famine in far too many areas in the decades ahead.

But the efficiency in which we take such pride too often does not extend into the marketing phase of the farmer's business or into the market place itself.

We are convinced that the family farm will have its best chance of survival if it is coordinated into the food distribution system through farmer-owned bargaining and other types of marketing cooperatives.

And we are convinced that cooperatives are one of the tools that farmers can use to help attain our stated objective of parity of income.

Thus, many of the Department's programs aim at helping farmers do a more intelligent job of marketing. For example, production and marketing information, grades and standards, and regulatory activities are aimed at putting farmers and their cooperatives on an equal footing with buyers.

We are constantly trying to make these programs more useful through use of improved techniques.

The Department also administers marketing agreements and orders. Marketing orders apply to many of the fruits and vegetables. I understand you have discussed these market orders at several of your conferences, so I do not intend to go into much detail here on their use.

I will say, however, that our experience has been that very often a strong cooperative representing the growers' interest helps an order to work well. I will also say that in the Department's view marketing orders have generally been beneficial to producers in industries where they are continuously used.

Mutual Broad Responsibilities

The Department also has the broad commitment to help develop the most efficient free marketing system possible -- one with benefits for producers, handlers, and consumers. This commitment is carried out through our research program, through regulations designed to promote trading and through various service activities.

I believe bargaining cooperatives also have their share of responsibility in improving our free marketing system -- and many of you are making your contributions to it. You do this by efforts to get a just and equitable price for raw products, by improving handling practices, by supporting sound promotion programs, and by working with members to get the kind and quality of products buyers and consumers want.

I understand one of your work groups at last year's conference in Seattle reported that participants in that conference generally felt, and I quote: "Bargaining effectiveness is limited to a certain extent by present laws and that new laws or amendments to existing laws would be desirable at both State and Federal level."

The work group reported, however, that there was a wide difference of opinion on what measures should be sought.

It would appear desirable that you attain some agreement as to what is needed and then work to obtain as wide support as possible among the various interested groups, if you want to be effective in getting changes.

It would seem to me that your experiences as "bargainers" could be put to good use in the legislative area. For to be a success as a bargaining cooperative you have had to learn the best ways to assemble all your facts, to make choices and marshall the facts for a united front, to sit in on the give and take of the bargaining table, to find ways to negotiate out of impasses -- and then to learn to live with the best possible bargain you have been able to get.

As an aside, I believe that is what we have to learn to do in Government, and certainly what we as officials in the Department have to learn to do to the best of our ability in the long and sometimes tortuous course programs take from the time of their inception, through the legislative processes, and on into actual administration.

We all know the need is persistent for farmers to gain a greater share of the prosperity so evident in many other segments of the economy.

In his farm message of last February, the President said:

"I am determined that the farmers who have been efficient and successful in agriculture shall be fairly rewarded for their success. And I am equally determined that the rural community which has sustained the growth of agriculture shall have the chance to broaden its economic base and the range of opportunity which it can offer the children of its families."

These are needs President Johnson is urging all of us to be concerned with in order to fulfill the concrete aim of building a better America. They involve achieving what you as fruit and vegetable growers might call a better bloom in our living -- and a bloom that comes not only from more prosperity in the financial sense, but involves some of the deeper quality aspects such as better surroundings, better education and training, better opportunities for all citizens.

That is the challenge yet ahead of all of us. But this does not detract in any way from the history of great accomplishments you and other cooperatives have in your record books.

To sum up, then, the Department has an interest in bargaining cooperatives because of our general responsibility to work with farmers and their cooperatives.

We have that responsibility because this country's leaders have long had a realization of mutual goals to bring more prosperity to rural America.

For cooperatives represent much of the real strength and character that is so admirable in rural America today. They embody the vital force of men close to the soil, men who have the firm conviction that they should use their own best efforts to find a better way through whatever confronts them.

X HOW CAN FRUIT AND VEGETABLE PRODUCERS
SOLVE THEIR LABOR PROBLEMS? +

Tod Potter, Director
Office of Farm Labor Service
Bureau of Employment Security
U.S. Department of Labor
Washington, D.C.

I am pleased to be here today for a number of reasons. First of all, it is the fruit and vegetable industry which gives us a substantial amount of business in the way of recruiting workers for seasonal jobs. Secondly, I am aware, as you are, that seasonal labor is a crucial item for the fruit and vegetable grower, due to the perishability of the crop. And third, I have just returned from the National Farm Labor Conference in San Antonio, and am in a position to tell you something of the events throughout the Nation which influenced farm labor supply and demand last year, and also something of the prospects for the coming year.

Farmer's Approach Important

The labor problems which face agriculture during the coming year should be no more hectic than they were during the past year. In a sense, farm labor problems are determined by the farmer's approach to the solution. By that I mean that if he did not plan in advance of his period of labor need last year, anticipating a tight labor supply due to the demise of the Mexican labor program, then he automatically increased the number of problems he had to face.

But if he anticipated the lessened availability of labor, and did something about terms and conditions offered to workers including increased wages, this tended to decrease his problems. The attention the employer paid to labor retention items such as good housing, adequate sanitation facilities, and accessibility to recreation, further contributed to the solution to labor problems. That was true last year, and it will also be true this year.

Much of the discussion at our farm labor meeting was along these lines. A great deal of it was aimed at other realities -- management-oriented realities such as improved selection, recruitment and referral of workers; workers who will give a good day's work for a good day's pay; workers who will report for work on the Monday morning following a Friday payday.

We hold these annual meetings in order to assure that there is a periodic first-hand exchange of information between the 50 State employment service agencies which recruit workers for agriculture. This was one of our most successful meetings. Interest was high within the public employment service and within the agricultural community.

Almost half of our attendance was made up of representatives of farmers, farmer cooperatives, farm labor associations, and other organizations related to the agricultural industry. Although our program was made up of some of the Nation's top authorities on farm labor, in and out of government, I truthfully believe that we learned as much from our audience as they did from the program.

I can sum up the tone of the meeting briefly by saying that the general feeling is that, while there were individual farm operations which felt the loss of large numbers of foreign workers, there was no significant disruption of production in any one agricultural area, nor in any single crop.

I can furnish you with a number of interesting statistics which back up this contention.

Employment of foreign workers dropped sharply between 1964 and 1965, almost a half-million man-months of employment -- and this contributed to a rise of well over 100,000 man-months of employment for U.S. seasonal farm workers.

The past year was one of bumper harvests. Cash receipts from farm marketing for the first three-quarters of the year were at the annual rate of \$38.4 billion, an increase of \$1.4 billion over 1964. During the same period, total net farm income rose by \$1.5 billion.

Also, preliminary information indicates that market prices for fresh fruits and vegetables previously harvested by "braceros" generally were lower in 1965 than in 1964.

Our national balance of payments picture was improved, with some \$45 million in wages remaining in America through reduction of the foreign farm labor force. And, incidentally, the average hired farm worker in 1965 earned an estimated \$62 more last year than a year earlier, not exactly what could be called a big increase in wages, but an increase, nevertheless.

One other item worthy of note is the fact that unemployment among American farm workers fell from 6.5 percent in August 1964 to 4.8 percent in August 1965.

The accomplishments I have been citing read like a recitation of the aims of the Congress in terminating the massive importation of foreign labor at the end of 1963. Higher employment, better wages, and the rest of the ingredients which go into the improved economic package, were also the goals of the Department of Labor in implementing the wishes of Congress.

In many ways, this has been a troublesome year, both for those of us in the employment service and for those of you engaged in agriculture and its related industries. But the satisfactions have been considerable. Our own operation has been sharpened considerably in the process of meeting countless emergencies, and I believe that we will be able to provide farmers and workers with improved services during the coming year.

Employment Practices

But in the long run, I believe that you will find that it was not the employment service which gained the most from the decreasing use of foreign agricultural workers. Nor was it the American worker. The principal gainer will be the agricultural employer. The reasons are simple.

First

First, domestic labor is less expensive than foreign labor. I am aware that there are problems involved in making the transition from foreign to domestic workers, but they are not insurmountable. Workers are available. They can be trained in programs developed by the agricultural industry and by the Federal Government.

While worker retention is a constant problem, there are abundant means at the disposal of the farmer to lessen turnover. Improved wages and perquisites, better housing -- in fact, anything which betters working and living conditions will contribute to reduced worker turnover. But an equally essential factor is the farmer's management of his labor. The quality of supervision has a direct bearing on the quality of production and the staying power of labor.

Once such problems as worker-capability and worker-retention are solved, domestic labor proves to be less expensive than foreign labor. This is incidental to any charges connected with transportation of workers to the jobsite. Again, it is a matter of good management.

The farmer who must depend upon the labor he can attract by the conditions of employment he offers, must also fully utilize that labor while it is in his employ. There are strong indications that the availability of foreign workers in the past has made many employers lazy when it comes to accurately assessing their labor needs and programing the available labor to the available work.

I say this because while there was a substantial increase in domestic worker employment last year, the net effect of the decline in foreign worker employment was a 5 percent decline in overall seasonal worker employment. In a fast mechanizing agriculture, this is about par for the course. But since it also applies to some crops where mechanization does not have a foothold, it indicates to me that less workers did more work.

In other words, farmers used better labor management techniques last year than in years past. In the long run, that's going to mean increased net farm income, more money in the worker's pockets, and a further expansion of what is already the world's most prosperous agricultural economy.

President Johnson's State of the Union message on January 12, 1966 referred to a planned contribution by the United States to the solution of the world's food problems. This would inevitably entail further expansion of food production, and if that should take place, good labor management techniques will be essential to the food industry's field operations.

Second

A second reason why the agricultural employer stands to be the principal gainer from decreased use of foreign workers is that, in the past year, and with the assistance of the employment service, he has had to develop labor sources which are less likely to be interfered with by any national calamity. In most instances, in areas where foreign workers were not authorized last year, growers turned first to making the jobs more attractive to local workers.

When the local worker supply had been exhausted, they recruited workers who lived at a distance, but preferably within the State or on its borders. Lastly they sought to obtain the interstate migrant worker. The advantages of having an available seasonal work force living within a reasonable distance are obvious. Principally, of course, they are available to go to work on shorter notice, because the travel time is decreased.

Not having to travel long distances is also of considerable advantage to the worker. The worker further benefits from the fact that, the shorter the distance he migrates, the less chance that there will be any permanent disruption of his family relationships.

Third

I will content myself with one more reason why farmers gained rather than suffered from the lessened availability of foreign workers. That reason is the impetus the threat of labor shortage has given to mechanization.

Sophisticated machines invade the heavens and the oceans. The jet engine, rocket engine, the atomic engine are the product of accelerated development in the few brief years since World War II. But during those same years, the abundance of available farm labor, both domestic and foreign, has offered little incentive to the farm machine industry to commercially develop the kind of machinery to adequately do the job for the farmer.

However, it appears as though agricultural engineering will begin to come into its own in 1966. Improved machinery, capable of doing tasks which are not possible today, will, in time, mean increased profits for the farmer. I'm sure you are familiar with the plans of California tomato processors for 1966. The 1965 California tomato processing crop was around 25 percent mechanized. In 1966 it is anticipated that 80 percent of the crop will be harvested by mechanical means.

I have dwelt overly long on foreign agricultural workers. Their use is limited, I know. Only 12 states used such workers in 1965. But they have been a significant factor in U.S. agriculture for many years, their availability has influenced employment conditions outside of the area in which they are used, and interest in the Department of Labor's actions in this area has been high.

However, our function is considerably broader than providing foreign workers or regulating such a program. I'd like to conclude these remarks with a brief, concise statement on the function of the Office of Farm Labor Service, and its parent organization, the Bureau of Employment Security.

Through the farm labor services in the 50 States, we are available to assist farmers and associations in recruiting workers to meet labor needs. We can, in at least a limited way, assist in finding solutions to labor-management problems, such as the turnover problem I touched on earlier. We have a specific function in the assessment of the need for additional training by workers and in the assessment of skills needed by the agricultural industry.

We operate the Farm Labor Contractor Registration program, attempting to eliminate abuses to migrant agricultural workers and employers at the hands of some crew leaders. We carry out a program of research in a number of farm employment related areas to be in a position to anticipate and head off at least some of the problems before they happen. Other of our functions are aimed at assuring that workers receive the benefit of satisfactory wages, housing, and transportation practices.

I would hope that we could be of some assistance during the coming year to the growers and processors with whom you are affiliated.

CHALLENGES

John A. Baker
Assistant Secretary
U.S. Department of Agriculture
Washington, D.C.

Keeping up with what is happening may be the greatest challenge of all.

For these are stirring and swift paced times, times when producers' needs for cooperatives increase and change, times of rapid organizational market adjustments, and times of shifting consumers' tastes and demands for food products.

I'm sure that is one of the reasons you have met annually in such conferences as this since 1955. I am glad that we in the Department through our Farmer Cooperative Service (FCS) have been able to cooperate with you in this important annual event.

Let me highlight briefly some of the major challenges I see confronting cooperatives, with attention to those of special interest to you as representatives of fruit and vegetable bargaining cooperatives.

Market Structure

It seems to me that perhaps the changes in market structure are one of your main challenges, that and along with it the problem of how you adjust to such changes. You have heard a great deal on this subject during your conference, but I want to mention the work of the National Commission on Food Marketing in this area, for you and we in the Department have a special stake in its findings.

We are providing background information to the Commission and representatives of Department agencies have joined with cooperative leaders to make presentations at hearings on cooperative contributions and place in today's United States market structure. Some of you and your representatives have made presentations to the Commission.

I hope that the recommendations of the Commission will give us some creative new ideas on how farmers can combine their efforts to improve their bargaining power in our new market structure.

Cooperatives in conjunction with Federal farm programs offer farmers the way to achieve equality of bargaining power with the large business firms with whom they deal. Cooperatives in this way offer farmers an opportunity to remain independent as far as their own farm businesses are concerned, while at the same time they are joining together for marketing or to perform other types of service.

The Total Picture

But market structure is not the only challenge. We have to consider the total agricultural picture and the total economic picture for the United States, and both of these are affected by international factors.

The Department has been pleased to see the highest net farm income since 1952 achieved this past year -- \$14 billion. This is progress. We are also pleased that the Food and Agriculture Act of 1965 gives us our guideposts for the next few years on the farm program.

We know of the changing picture on the international front, of the spectre of famine and hunger that stalks too many of the developing countries.

We all need to keep alert to demands, keep flexible enough so we can find ways to make the best use possible of the great abundance produced by our American farmers.

Our Own Underdeveloped Areas

Cooperatives were originated by the disadvantaged to help solve their economic problems. In the course of doing this, they also solved many social problems as well.

This is one of the big jobs we are all caught up in today -- to solve still more of the economic and social problems of the disadvantaged. And these disadvantaged can be found in two different groups -- one in geographic areas where the majority of people are poverty stricken in both money and opportunity, and the other group, the clusters of low income people we find in the midst of fairly prosperous neighbors.

I feel deeply that cooperatives have both a responsibility and an opportunity to join in the drive to lift these people up, both economically and in ways that will give them the education and incentive to be better citizens.

It is a challenge then for cooperatives to look around their areas to see if they can and should serve other people and to look into the services to see if they need to offer additional ones.

While it is true that a cooperative's first responsibility is economic efficiency, it has always seemed to me that cooperatives have a built-in heritage that makes them vitally interested in other values. I've been hearing of cooperatives that are using meetings and other communication channels to keep members informed on their opportunities under the new legislation of the past year -- medicare, educational opportunities, job training and placement, helps to rural areas for water and sewer systems and improving the beauty and cultural aspects of our life. This effort should be expanded.

Coordinating Our Cooperative Efforts

We say over and over again that farmers must join forces in order to bargain effectively. Well, isn't this true also of our cooperatives?

It is, of course, and that's the reason we're seeing more mergers, more joint activities. But each of you may need to ask yourself if you as a cooperative are committing the same sin of too much independent action that you criticize nonfarmer members for. Sometimes it's all of us that need to consider change, not just the other fellow.

We have many instances of cooperative joint actions recently, actions to jointly use transportation, warehousing, and other such facilities, to sell under a mutually owned brand name and to improve records by jointly using automatic data processing.

And while we are on the subject of coordinating efforts, I believe we are seeing also the good that can come from good working relationships between cooperative businesses and Government.

It is good for representatives of the Department of Agriculture to have an opportunity to get together with cooperatives in conferences such as this. It is good because we both gain a greater understanding of our mutual problems and responsibilities -- and, importantly, of the fact that we all have a mutual goal.

This is the goal to bring a greater parity of opportunity and of prosperity to rural America.

Because the Department sees cooperatives as one of the most important of the means to help achieve this goal, we have taken a number of actions in recent years, actions that we hope have helped farmers make even more effective use of these farm business helps.

Let me review these briefly.

1. Soon after Secretary of Agriculture Orville L. Freeman took office, he reconstituted the Cooperative Advisory Committee and issued a policy statement affirming the Department's belief in the importance of cooperatives and its intent to provide their farmer members help and to work closely with them in its programs.

2. In the spring of 1963, the Department was pleased to be invited to participate in a major national meeting, the Conference of Cooperatives and the Future that brought some 500 cooperative leaders to Washington. This Conference set up some guideposts and made some recommendations that we then began to study in greater detail.

3. One direct result of this conference was the issuance of a more definitive Policy Statement, one that gave specific directions to all agencies and employees to provide services to cooperatives and work closely with them in USDA programs where appropriate.

Of special interest to this group is emphasis given to the importance of cooperatives to help farmers to improve their bargaining position.

4. Coming out of all this mutual activity, the Department refocused and redirected some of its programs to center upon some of the basic problems of cooperatives and stepped up activities in others. This developed after an intensive study ranging over many months by officials and the National Cooperative Advisory Committee.

5. Some of the changes are: increased emphasis on research on cooperative problems of broad national and regional scope; establishment of a Department-wide committee to encourage use of cooperatives by forestry and woodlot owners; greater emphasis on cooperative educational work; and using funds available under the new Economic Opportunity Act for loans to low income rural people to organize and operate cooperatives, a program administered by Farmers Home Administration.

As another example of the increased emphasis on cooperatives by the Department, for the past 2 years we have joined with cooperatives and their State Councils of Cooperatives in holding a Cooperative Month Observance in October. This year 20 Governors issued Proclamations declaring October Cooperative Month and 8 other Federal Government departments and agencies held seminars and joined us in the Federal observance.

We feel then that this is yet another way cooperatives and USDA have worked together in a mutual objective -- that of helping create a better understanding of cooperatives all across the land.

These are just a few of the recent steps we have taken. In addition we are constantly re-assessing, re-evaluating our programs, both in our day-to-day work in the Department and in cooperative and agricultural conferences such as this.

It is only through close contact with you and your practical problems that we can find the firm base for our future actions. And I believe that by talking together, we as a Government department and you as the representatives of producers, are able to work out much better solutions than we could by each going our separate ways.

THE NEED FOR MARKETING AND BARGAINING POWER FOR FARMERS

Harlan Hagen
Congressman, 18th District, California

Mr. chairman, ladies and gentlemen: Abraham Lincoln is quoted as saying, "If we could first know where we are and whither we are tending, we could better judge what to do and how to do it."

Let me relate the subject of my speech, "THE NEED FOR MARKETING AND BARGAINING POWER FOR FARMERS", to Abe Lincoln's admonition that to know what to do and how to do it we should first know where we are and what is developing.

The Agricultural Scene

Let us consider first a definition of farmers in terms of numbers and identity. Such definition is important to a consideration of the need for marketing and bargaining power.

According to reliable statistics, 30 million people lived on the land in farm families in 1930. At the end of 1965 approximately 7.5 million people lived on the land in farm families and it is predicted that by 1985 there will be less than 3.75 million farm people.

What conclusions do we draw from these facts? In 1930, farmers were an effective political force. They were a much less effective political force in 1965 and they will be even less an effective political force in terms of numbers in 1985.

A corollary proposition is that there were too many farmers for effective free market bargaining in 1930 and in 1965 and this condition will persist into 1985 and beyond.

Let us closely examine this last conclusion in the light of certain facts. If a free market existed for anyone except farmers since the time of Adam Smith and his classic market place economic theory, it has long ago ceased to exist. Industrial ownership, or at least management, has become concentrated in fewer and fewer people for various reasons in an accelerating process which has been unintentionally promoted by the growth of big government and big labor.

A natural result of this situation has been an artificial structuring, price-fixing if you please, of industrial product prices either through legal agreement or illegal conspiracy or price leadership policies. Witness the practically simultaneous rise or reduction of steel prices recently and on many prior occasions.

Competition in heavy industrial products with a direct consumer market takes place almost entirely in terms of advertising or gimmicks. The same can be said for many other products of industry and in fact the business of farming and small retailing in some product areas and the sale of personal services are practically the only areas of classic Adam Smith free enterprise left.

On the labor front in industry there has been an accompanying artificial structuring of labor prices either through wage and hour laws or by union-management bargaining, a bargaining management could largely afford because of its own ability to manage product prices.

It is safe to say, therefore, that the farm sector of our economy is the most important sector for the production of basic goods which is operating in a free market except in the case of those commodities which have had substantial government price support programs.

Add to this disadvantage the fact that collective bargaining for farm labor looms on the horizon without an existing capability of farmers to pass on wage and fringe benefit increases and we see the magnitude of the problem.

In this connection, I was interested in a recent statement of Dr. Eric Thor of the University of California that a rise in 1965 in the price index of agricultural commodities purchased by the housewives resulted in more letters of protest addressed to the Department of Agriculture than were caused by any proposals and actions taken by the Department of Agriculture or the Congress. If this be true, the difficulties of the farmer passing on wage increases, assuming he otherwise had that capability, is evident and this fact is also a commentary on the possible value of totally government managed programs of price improvement.

This cumulation of facts means that the farmer buys most of his essential items in a seller's market and because of the still relatively large number of farmers, generally sells in a buyer's market. This condition increasingly becomes more difficult as the number of prime buyers for his product decreases with the increased possibility of price rigging against him. Add to this the very real confrontation with higher labor costs, either on the farm or once removed to the machinery factory, and we can clearly see the need for increased bargaining power to establish an ability to raise his own prices.

Can farmers earn a fair return on their inputs of labor, education, and capital in such a situation without large increases in marketing and bargaining power?

The answer is, no. I am certain that you are ready to accept that answer because you are already members of a marketing cooperative and are currently engaged in examining your bargaining problems both in the marketing for your goods, in the political arena, and in your relations with farm and factory labor.

How Do You Secure The Necessary Marketing And Bargaining Power?

First, there must be a majority of consensus of all farmers, or at least of producers of specific commodities, of a course of action and a program which is both politically and economically acceptable and will do the job.

By and large such a consensus has been lacking in the general farm community in the past and even among specialized commodity groups and although programs have been proposed, a feasible course of action has not been developed because of disagreements among farmers. The principal problem has been more a lack of farmer consensus than a lack of cooperation from political office-holders.

At this juncture I wish to assure you of my personal desire to assist you in securing whatever political or governmental tools are necessary to accomplish a bargaining power which is fair and equitable for the farmer. I am certain that all other rural area representatives share this desire and that it can be sold to metropolitan area representatives who are increasingly becoming a majority in both the election of statewide and national officers and members of Congress and various State legislatures.

It should be emphasized that political assistance will be necessary for the achievement of the proper kind of bargaining power although that conclusion may be obnoxious to Adam Smith fundamentalists.

I have reasons for this last statement. The situation of the farmer is not comparable with that of industrial owners and/or managers, but rather more comparable with that of factory workers who at an earlier time because of their very numbers were in a hopeless bargaining position without organization and who had to seek government assistance to create a climate for the establishment of vehicles of organization.

Political action then is a first order of business after the achievement of farm community agreement.

What Direction Should Your Program Take?

It is my personal conviction that traditional price support programs will not work for fruit and vegetables and in any event would encounter too much resistance in the farm community itself. In fact, although helpful, they have not properly solved the problems of the so-called basic non-perishable crops.

Rather, attention should be given to these possibilities:

1. Expanding and improving marketing orders.
2. Offering financial and tax encouragement to marketing cooperatives.
3. Establishing rather elaborate ground rules to permit and even facilitate combinations of growers in dealing with the constantly dwindling and increasingly large-sized and powerful primary buyers of farm products.
4. Consideration of increasing the role of the cooperative as a financier of production costs for its members.
5. Liberalizing the avenues of entrance to farm cooperatives which in some instances have almost become exclusive clubs for those farmers who are so financially well off that they least need the assistance of a cooperative.

I come from a farm community and represent a farm constituency and as a consequence I am acquainted with farmer attitudes. On the basis of this knowledge, I would like to comment on certain farmer attitudes.

Traditionally, farmers complain of big labor and only secondarily and in a minor key do they complain of big industrial and wholesaling and retailing management. This attitude is persistent in spite of the fact that large increases in consumption of farm products per capita can only come through increase in the earning capacity or other consuming capacity of the lowest economic segment of our population.

The Fewer the Retailers, the Greater Their Control

The fact is that those who control the retailing of foods, if sufficiently few in number, can control prices to the farmer and every other aspect of farm production, processing and marketing. Processors and wholesalers who now are big business could be as subservient as farmers to an oppressive price regulation if retailing of farm commodities becomes dominated by sufficiently large and powerful chains.

I have reason to believe that this fear is shared by certain large processors. The best illustration is the effort of meat packers several years ago to change the provisions of the Packers and Stockyards Act which by some who had legal authority had been interpreted to permit a grocery chain to become exempt from the various fair trade and antitrust laws by acquiring a meat packing operation.

The fear of the large packers arose from the fact that under a court order dating back to 1919 or 1920 they themselves were prohibited from getting into the retail business. With the growth of the use of proprietary labels by retail chains this fear had substance.

The primary interest of farmers is in the bargaining of prices for their products in the market, but they should also have interest in effective bargaining with respect to other elements in the farm profit equation. Farmers who want to stay in business and make a profit need helpful laws on ad valorem and income taxation. In the field of ad valorem taxation they need the ability to resist increased assessments brought by the pressure of increased valuation of land for non-farm uses. In the field of income taxation the farmer, because of his limited resource capability, needs the fairest treatment with respect to depreciation and year to year adjustment of losses.

Attention should also be given to increasing coordinated bargaining ability with respect to labor costs. Heretofore, organization of the great mass of farm workers has been largely a dream and organization attempts have been haphazard and ineffective for the reason that farm labor was often a surplus commodity or lacked solidarity. This situation is changing and serious efforts are being made to organize all farm labor.

If this effort is successful, the farmers will need organization to achieve equity. As an interim solution, the farmers should seriously examine the value of a Federal minimum wage for farm workers or the establishment of some wage board mechanism. I say this because I am not personally convinced that farmers can stand the type of union vs. employer bargaining which prevails in industry.

In almost all cases farmers produce a perishable commodity and because of their average personal situation they cannot stand a disastrous loss even in a single year. Add to this the fact that the farmer commits his resources at the beginning of each cropping season without possibility of stopping the productive process and reducing his losses. Nor can he stockpile in anticipation of anticipated labor shutdown.

OPPORTUNITIES OF MARKETING COOPERATIVES IN FOREIGN TRADE

Raymond A. Ioanes
Administrator, Foreign Agricultural Service
U.S. Department of Agriculture
Washington, D.C.

American farmers are in a cheerful mood this January--and with good reason. The agricultural outlook at the start of the new year is brighter than it has been in a long time. Prices of many major farm products have risen. Farm income has strengthened. We still have too much cotton on hand, but grain stocks are being brought to manageable levels, and tobacco holdings are beginning to decline.

Farm Exports Up

One of the important factors in this generally improved picture is the high level of agricultural exports. In the past two years we have pushed farm product shipments to more than \$6 billion--as compared with a 1954-58 average of only \$3.8 billion. The official estimate of shipments in fiscal year 1966 is \$6.2 billion but volume could well end up considerably higher.

These large agricultural exports obviously are strengthening the farm economy. And by earning over \$5 billion annually in foreign markets (the total of our dollar sales plus some cash gains from our Food for Peace program) our farm product shipments are helping very substantially in keeping our balance of payments on a more even keel.

This month's issue of SUCCESSFUL FARMING, one of the leading agricultural magazines, paid a fine tribute to the growing importance of our farm product export trade. The magazine's lead editorial said, in part:

"Within the past 5 years U.S. wheat growers have made the transition from producing primarily for the U.S. market to producing mainly for the export market. We now supply half of all the corn and 80 percent of the grain sorghums entering the world market. In the 1920's and 30's Mainland China completely dominated the world soybean trade, supplying about 90 percent of total soybean exports. Today the United States occupies this position. The U.S., now the third largest exporter of rice, has the potential to become the leading supplier of rice in the world market.

"Put another way, we now export the output of one acre out of every four--two-thirds of our wheat crop, two-thirds of our rice crop, about one-half of our soybean crop, a third of our cotton crop, and about one-fourth of our tobacco crop."

The article went on "It would seem that we, as farmers, should increasingly become concerned with policies which affect exports. And we are."

How FAS Helps Exporters

Today I want to talk about the way cooperatives fit into this expanding export picture. First, however, I'd like to outline for you very briefly the role played by the agency I represent -- the Foreign Agricultural Service (FAS). A brief call-over of FAS activities should make the rest of my discussion more understandable.

FAS has one primary job -- helping American agriculture maintain and expand foreign markets for U.S. farm products. Everything else it does is keyed in one way or another to that central objective.

For example, FAS has a cooperative program with industry to promote export sales of U.S. farm products. This work is carried on in some 70 countries in cooperation with 45 agricultural and trade organizations. And I'm very happy to say cooperatives are among the strongest supporters of overseas market development work. The program includes such activities as U.S. food exhibits at international trade fairs and trade centers, instore promotion, direct contacts with the foreign food trade, advertising, promotional movies, and seminars -- all financed jointly by Government and private funds.

The program unquestionably has helped us increase sharply the percentage of our agricultural exports sold for cash. Through promotional effort, Spain has become our leading cash market for soybean oil; Italy and Japan have become bigger buyers of U.S. feed grains; many other countries have stepped up their buying of soybeans and soya products, feed grains, rice, fruits, vegetables, poultry, variety meats, tallow, and many other agricultural items.

Another FAS activity is work to improve U.S. access to foreign markets. This is a joint effort of the Department of Agriculture, President Johnson's Special Representative for Trade Negotiations, and the State Department -- all working under auspices of the General Agreement on Tariffs and Trade. The objective -- in simple terms -- is to persuade foreign governments to lower their trade barriers against imported goods. We, of course, are prepared to lower ours on a reciprocal basis.

Market access work goes on continuously and, in considerable measure, successfully. We've been able to obtain liberalization on many farm products in many countries in recent years. Of course, numerous access problems still remain. We have been hoping that most of these could be settled satisfactorily at the Kennedy Round of trade negotiations at Geneva. However, internal problems of the European Economic Community (EEC) have stalled negotiations. Further progress in the negotiations depends on the EEC's return to the bargaining table as a full-fledged participant.

FAS administers important phases of the Public Law 480-Food for Peace program, under which about 25 percent of U.S. farm product exports are moving to needy people in Asia, Africa, and Latin America. The program currently is reaching 115 countries having a combined population of 1.7 billion. In many of these countries--as in India today--our food is warding off starvation. It also is giving these countries an opportunity to compare the efficiency of our free agriculture with the inefficiency of regimented communist farming. And by promoting economic growth, our food is helping to lay the foundation for future commercial trade in farm products.

But let me say that Food for Peace cannot be an end in itself; it can only buy time until food-short countries can step up their own production and, hopefully, slow down their population growth. The industrialized nations can help the needy countries not only with food but also with money, technical advice, fertilizer and fertilizer plants, marketing facilities. Non-food help, in the final analysis, may be the most important of all because it will enable less developed countries to help themselves. That must continue to be the ultimate objective of foreign aid.

As an official concerned with trade, I have a selfish motive in wanting to see the less developed countries stand on their own feet. As a country becomes more prosperous, it tends to import more of everything. The sooner an underdeveloped country becomes a developed country, the sooner we will see an expansion in our dollar sales to that country.

In many of the less developed countries, as in the industrialized nations, FAS maintains agricultural attaches. Stationed at 59 posts, the attaches give U.S. agriculture virtually worldwide representation. They report on developments in their country of assignment, serve as the voice of U.S. agriculture abroad, and help to develop foreign markets.

FAS issues a large volume of information on foreign production, markets, government policies, competition, and other phases of agriculture overseas--a substantial part of it based on attaches' reports as well as special analyses of commodity specialists.

Some Successful Cooperative Exporters

I want to turn now to the role being played by cooperatives in the agricultural export field. Let me cite just a few examples to show what a big trade role the cooperatives are playing.

Sunkist Growers, the California citrus cooperative headquartered in Los Angeles, has been pushing its export volume upward since the end of World War II. Sunkist exported 163,000 short tons of citrus in 1965 to overseas markets, of which 123,000 went to Europe and 40,000 to Pacific countries, mainly Japan. Japan has liberalized imports of lemons, and U.S. shipments to that country, reflecting the more favorable trade climate, quadrupled from 1963 to 1965.

Sunkist divides its business into three basic markets. Citrus sold in the "domestic" market -- the United States and Canada, that is -- has been the most profitable outlet. Citrus sold on the overseas export market gives the second best return; and fruit sold for product processing returns the least. But Sunkist has found that the development of all three outlets -- exports as well as domestic sales and diversion to product use -- is required if the California-Arizona citrus industry is to operate profitably.

Sunsweet Growers, San Jose, California, handles about 45 percent of California's dried prune production, and also markets dried apricots, peaches, and pears. A significant part of Sunsweet's total marketings go into export channels -- and the proportion is increasing. Europe is the principal foreign market, but the cooperative also is looking to Japan for a substantial increase in purchases.

Up in Hanson, Massachusetts another cooperative -- Ocean Spray Cranberries -- is moving into the export market with both fresh and processed fruit. But Ocean Spray is proceeding cautiously, because American cranberries are virtually unknown in Europe. Although sales are still small, they have doubled in the United Kingdom in the past year.

A number of poultry cooperatives are in the export business. One of the largest, the Georgia-based Cotton Producers Association in Atlanta, markets about 18 percent of its total volume abroad. Interestingly, this cooperative got into the poultry exporting game when cotton production began to shift out of Georgia and broiler raising shifted in. The Rockingham Poultry Marketing Cooperative, Harrisonburg, Va., exports between 15 and 20 percent of its poultry output. Norbest Turkey Growers Association, Salt Lake City, Utah, sells about 10 percent of its turkeys abroad, the heaviest sales being to West Germany.

The Arkansas Rice Growers Cooperative Association, Stuttgart, has handled rice milling and marketing since 1920, and is the "parent" of another cooperative, the Arkansas Grain Corporation, which processes and markets soybeans. Both companies look abroad for more than 50 percent of their sales. The soybean cooperative which got under-way in 1958, handled 28 million bushels of the State's 69-million-bushel soybean crop this year. Its two crushing plants make available for export a considerable volume of oil, most of which goes to less developed countries under Public Law 480, and soybean meal, much of which is sold in Europe.

The Producers Export Company, New York, N. Y., a grain marketing cooperative, is building up a good foreign trade in a field that has been dominated by very large commercial exporters. Operations got underway on a modest scale in 1958, but volume has grown steadily. The company now has elevators on the Pacific Coast and on the Gulf. It ships to virtually all countries where U.S. grain is licensed to go. This cooperative deserves a lot of credit for the success it has had in a field which is complex and very, very competitive.

A relatively new entrant to the export field is AGWAY-- a "new" cooperative formed through the merger of the Farmer Cooperative GLF Exchange, the Eastern States Farmers Exchange, and the Pennsylvania Farm Bureau Cooperative Association. AGWAY, with headquarters at Syracuse, last year exported quite a volume of black turtle beans to Caribbean and South American countries and hopes to expand this business. Contemplating export trade in other products, AGWAY has put an export manager in its marketing division. Current plans are directed toward exports of fruit, particularly apples, vegetables, and egg products.

Questions for Cooperatives

Can other cooperatives do what these are doing? Clyde Carter, who heads up the Arkansas Rice Growers Cooperative, has this advice: "Get in and get your feet wet." I agree with him. The export market can be "cracked" successfully with the usual exercise of common sense, backed up with hard work. It isn't the complex maze that many businessmen think it is.

But the old adages, such as "investigate before you invest," and "look before you leap," do apply. In other words, the cooperative that wants to get into the export game needs--before taking a definite step--the answers to a lot of questions.

In what countries will our product go over the best?

How does our product compare in price and quality--laid down abroad--with the product of U.S. and foreign competitors?

Should we sell through foreign importers, agents, and brokers--or through U.S. exporters?

Are there any trade restrictions on our product now, or are any contemplated, in the markets in which we want to sell?

What do we need to know about sanitary and packaging regulations?

Where can we find out about such fundamentals as ocean shipping, credit, and rates of exchange?

Some of the answers can be found in this country. For example, the FAS and its market development cooperators can supply a great variety of data and special analyses on export volume, prices, competition, import restrictions, sanitary regulations and the like. The Department of Commerce has a vast reservoir of facts and figures on foreign trade and many brochures, reports, and periodicals aimed at helping businessmen break into the export game. Banks with international departments can help. Many excellent books on the "how-to-do-its" of foreign trade are available.

But the cooperative that is serious about exports will want to send an official or officials abroad to explore prospects first-hand. In this connection, I'd like to quote from an article by C. C. Warren, one of our FAS poultry marketing specialists. Mr. Warren's remarks were aimed at poultrymen headed abroad to find new business, but his advice is applicable to sellers of other products. He says:

"Part of your planning should be the preparation of a sales kit. Have a photographer take some pictures of your branded, bagged-whole birds, and packaged parts. Have 8 x 10 prints made and put them in an attractive ring binder. Give what specifications you can for each picture -- the range of sizes available, grades, number of head per box, et cetera. And gather together a sample of ads that you have placed in U.S. magazines to impress the foreign buyer with the size of your operation and importance in the industry.

"Then write to the agricultural attaches to inform them that you are coming, and when. You would be well advised to make their office your first stop. They can give you leads as to whom to see and who may be opposed to imports because of vested interests.

"Don't be in a rush to visit the importers upon your arrival. Rubber-neck around the city a bit and observe how poultry is retailed and served in restaurants. Check their prices against your knowledge of what your landed costs could be, adding on import duties, taxes, and the like, which you can get from the agricultural attache. Look at other poultry, whether from the U.S. or elsewhere, and see how it compares in quality and packaging with your own.

"Now, meet your importer -- just as formally as he seems to meet you. Take an interpreter with you if you can't speak his language well. Almost any hotel can help you with this.

"Be prepared to quote prices c.i.f. his port, packed and sized the way he wants. Be able to talk about specific delivery dates. The attache will put you in touch with shipping agents who can tell you about ship schedules.

"Until you know your new customer quite well, insist upon doing business on the basis of a letter of credit. But do your share of the bargain by delivering exactly what you have agreed to deliver, and on time--no substitutes."

Some organizations will want to spend considerable time on the market research phase. They would do well to make use of U.S. trade center facilities and U.S. exhibits at international trade fairs. The U.S. trade centers at London, Milan, and Tokyo stage exhibits during the year--and these will be joined in 1966 by the Hong Kong center, which will stage a special food promotion. A cooperative can pretty well determine the reaction of foreign consumers to its product, see what competitors' goods look like, and find out about special problems by taking part in one of these shows. "Taking part" involves little more than shipping to the trade center enough product to stock a booth and providing a representative to meet the trade.

Cooperatives can make similar use of U.S. exhibits at trade fairs, some of which feature areas reserved for the exclusive use of U.S. and foreign tradesmen--a "trade area" where buyers, sellers, agents, and others can discuss business matters in quiet surroundings. The FAS trade fair program in 1966 will be bigger than ever. The schedule calls for five major shows--at Utrecht, Manchester, Vienna, Munich, and Paris--where trade area facilities will be available.

Who is to represent the cooperative on a permanent basis? Product representation is a most important consideration and the cooperative would be well advised to give it very careful thought. Some organizations--the Cotton Producers Association is one--have a representative stationed abroad to keep in touch with and supervise operations of their agents. Others make out well without the foreign representative; they work directly with foreign agents, importers, brokers, and, increasingly in Europe, with chain stores. Many cooperatives ship at least some of their volume through U.S. exporters.

I won't be so presumptuous as to suggest that cooperatives handling this product or that get on the ball and start an export program. They might lose their shirts and I'd have that on my conscience. Nor am I going to hint that a cooperative is doomed to failure if it tries to put its product into the foreign market. These are matters that cooperatives must determine for themselves--as I have made clear--through market research.

FAS Promotion

But I would like to call your attention to a central tendency that has become apparent to FAS as it has carried on its market promotion work. I refer to the fact that products which are already familiar to a country seem to have an edge over those for which a taste must be developed.

Right now, the FAS and the American Meat Institute are carrying on a program to expand the market for high-quality U.S. beef in Europe. We are encouraged by the reception this meat has had thus far at our food exhibits. The people who taste it like it. A consumer poll at Brussels last fall showed that 95 percent of the diners who tried U.S.-style sirloin steaks were enthusiastic about their flavor and texture. But developing a substantial market for this meat--which has more fat than Europeans are accustomed to and which is relatively high in price--is sure to be a long-time rather than a short-time proposition.

Some of our people in FAS argue that there is a market in Europe for peanut butter. This belief traces to a survey made a few years ago, when French people who had been in the United States a year or so were asked which U.S. food they would miss the most when they went back to France.

At the top of the list was peanut butter--because French mothers had found out from their American counterparts that the peanut butter and jelly sandwich is an almost irreplaceable snack for hungry children. But most European mothers, at least those in Europe, are not familiar with the stomach-filling capacities of peanut butter. In my opinion it would take considerable development effort to build up a sizeable foreign market for this product. And even if we did, we would face the fact that some of the African countries which still have close ties with Europe produce enormous quantities of peanuts.

On the other hand, we have had little trouble in expanding foreign sales of variety meats. Foreign consumers have long been familiar with such products as liver, tongue, and sweetbreads. Ours are good and the prices are right.

We have built up a good foreign market for poultry meat, despite the agricultural protectionism of some countries. Here again, we have a familiar product. Chicken meat is a food that is almost universally liked. Also favoring exports is the fact that our highly efficient production methods have enabled us to put on the export market a high-quality poultry product at a reasonable price.

Cooperatives--and other types of business--must keep an eye on new developments in the export field. New developments sometimes open up very favorable trade opportunities.

Right now trade opportunities, especially for fruit and vegetable cooperatives, have been enhanced by changes in the transportation picture. I refer to air transport and to the relatively newer development of containerization.

The airline industry is now geared to handle freight in unprecedented volume. Record numbers of jet freighters are now on hand and even larger numbers are on order from aircraft manufacturers.

A jet freighter can carry 45 tons of merchandise. Reflecting these big capacities, air freight rates have tumbled drastically in the past two years and there is every indication that additional reductions will come this year. On January 1, the rate for fruits and vegetables, excluding strawberries, shipped from New York to London dropped from 30 cents to 16 cents a pound for a minimum cargo of 1,100 pounds. Other examples of new per-pound rates from New York -- for the 1,100 pound minimum -- are 18 cents to Frankfurt; 19 cents to Rome; and 27 cents to Helsinki. As more airlines obtain jet freighters the strawberry rate also should come down.

The fruit and vegetable industry already is making great use of the airplane for domestic transport, and now traffic is picking up on international routes. One airline industry spokesman has estimated that international shipment of perishables will increase by 45 percent this year. California alone shipped 752,000 pounds of fresh produce to Europe in the first 6 months of 1965. That was four times the volume shipped in the same months of 1963. And we still have to see how the new low rates will affect volume.

I'm sure that fruit and vegetable cooperatives are studying air transport. It opens up a market in almost every country at seasons when prices are highest. It enables producers to plant and harvest specifically for export. It offers even greater advantages to cooperatives and other businesses that can center production relatively close to airports capable of handling jet freighters. I think cooperatives should -- and I think that they will -- take full advantage of the opportunities that air transport offers.

Movement of perishables by refrigerated container is expanding. I think it has a great future.

In case you are not familiar with this new development, let me say that the container is, in effect, an insulated box equipped with mechanical refrigeration units powered by an electric motor. The motors are driven from an external electric source -- power lines, that is -- while in marshalling yard, in port, or at sea. They have an internal combustion engine, which runs on propane, for stand-by power or over-the-road use. Size of the containers varies, but the units of one manufacturer are 8 x 8 x 35 feet -- or 2,240 cubic feet.

One company handles hanging meat shipments from such inland points as Omaha all the way to Puerto Rico. The containers, of course, can be used on motor carriers, rail carriers, and ships.

An advantage of the containers in the movement of perishables is the wide range of temperatures that can be employed. Commodities carried range from ice cream, held at minus 15 degrees Fahrenheit, to live plants at 60 to 70 degrees. Tomatoes are normally transported at about 53 degrees--but if the buyer wants to sell his product immediately on arrival, the temperature may be raised to 60 degrees. Or it may be dropped to 48 degrees if a market surplus develops and the buyer wants to hold his tomatoes longer.

Containerization is a fascinating subject. And it's a practical subject for cooperatives and others interested in selling perishables abroad. As always, the daring few who get in early have the best chance of reaping the largest rewards.

Let me say, in closing, that I hope our marketing cooperatives continue to look for opportunities in the agricultural export market. Some opportunities are obvious now; others are still around the bend. But if we are to push agricultural exports to \$8 billion and then, hopefully, to \$9 billion, we must take advantage of every opportunity open to us. Cooperatives have a role to play. And the Foreign Agricultural Service will be glad to help them play it.

OPPORTUNITIES OF MARKETING COOPERATIVES
IN FOREIGN TRADE

Harold J. Hartley
Manager, Fruit and Vegetable Division
American Agricultural Marketing Association
Chicago, Illinois

I would like to discuss with you the Farm Bureau program in developing markets abroad for U.S. agricultural products.

The Farm Bureau Trade Development Corporation (FBTDC) is an affiliate of the American Farm Bureau Federation (AFBF). It was incorporated in 1960 and maintains offices in Chicago and Rotterdam, Netherlands. It was organized to promote and facilitate sale of farm products within this country and to other countries. At present, the principal objective of this corporation is to expand overseas markets for U.S. agricultural products by providing an export sales service to cooperating state Farm Bureau affiliates and cooperating commodity suppliers.

H. H. Alp is Managing Director of the FBTDC, with offices in Chicago. Donald E. Hirsch, who was with the Farmer Cooperative Service (FCS) before joining the AFBF staff in 1957, will head up the Rotterdam office beginning February 1, 1966.

The Trade Development Corporation has agreements with state Farm Bureaus or their marketing affiliates. It also has under contract a number of suppliers who handle a wide variety of farm products and processed foods made from farm products.

The program embraces commodities produced on farms from the Canadian to the Mexican borders, and from the Eastern to the Western seaboard. This means that the program is now serving thousands of farmers; it has the potential for serving many more.

The Chicago office provides leadership in developing business arrangements with domestic suppliers who are willing and able to sell large quantities of uniformly high quality products on a continuing basis.

The Rotterdam office assists in developing a clientele of European buyers who wish to procure U.S. agricultural products direct from suppliers on a continuing basis and under agreement with our Trade Development Corporation.

Contacts have been established with reputable importers who are willing to cooperate with the Trade Development Corporation on a mutually advantageous basis. Many of these importers, who are located in key European markets, have in the past found it difficult to obtain dependable sources of supply.

The Trade Development Corporation is concentrating its efforts on those commodities for which there are reasonable opportunities for sales and the sellers are willing to cooperate to gain recognition and acceptance of their products in the European market. The Trade Development Corporation provides certain services to U.S. farmers, other services to U.S. exporters, and still other services to overseas buyers.

The Trade Development Corporation has sold a large variety of fruits and vegetables. Some have been fresh, while others have been processed.

Suppliers in New York, Wisconsin, Texas, Michigan, Illinois, South Carolina, and other states have joined with us to expand markets for U.S. apples, carrots, onions, peaches, cherries and other fruits and vegetables.

Examples of Export Sales

The following excerpts from the November and December 1965 FBTDC Newsletter gives a brief example of what is going on now in the fruit and vegetable export sales:

ITEM: "TOTAL SUPPLY OF WISCONSIN CHERRY CO-OP SOLD OUT.

All of the industrial pack of the 1965 crop of cherries marketed by a farmers' cooperative in Wisconsin has been sold either domestically or overseas. The Trade Development Corporation has been the overseas sales representative of the association for several years and each year the volume of sales has increased. This year, about 12 percent of the total volume went to foreign buyers -- and much more could have been sold if more of the industrial pack had been available for export."

ITEM: "SAMPLES OF CANNED PIE FILLING COME FROM PENNSYLVANIA.

Importers in other countries constantly seek new products or new sources of supply. While in the offices of an English importer recently, a member of the Trade Corporation staff learned that the English firm was interested in obtaining substantial quantities of canned pie filling."

"The Corporation asked the Pennsylvania Farmers' Association whether a well-known company in that state would be interested. As a result, samples of 'a baker's dozen' of different kinds of fillings were sent by the Trade Corporation to the English firm. Whether sales will result is by no means certain. But it is only by continual exploration and probing of the market that the Trade Corporation can help create or expand export sales for U.S. agricultural products."

ITEM: "TRIAL SHIPMENT OF NEW YORK APPLES GOES TO GERMANY.

A former president of the New York Farm Bureau manages a large and successful apple business in upper New York. Don F. Green is the Manager of Chazy Orchards. Some of the finest McIntosh apples in the world are produced and marketed under the Chazy Orchards brand. The Trade Corporation has handled exports to a number of key European markets during recent seasons. In the latter part of November of this year, a trial shipment was made in an attempt to establish this brand in a large market in Germany. A member of the Trade Corporation staff was on hand to observe the condition of the apples upon arrival and to discuss their merits with a potential distributor."

ITEM: "CANNED VEGETABLES CONTINUE TO ARRIVE FROM WISCONSIN.

In recent weeks, shipments of canned corn-on-the-cob and other products have been made to buyers in several European countries.

- "The supplier is a cooperative in Wisconsin that has now acquired considerable experience in the export business. Its brand name has become established in important markets. This year it has had difficulty in obtaining supplies of product large enough to meet overseas demand. The importance in European markets of a good brand name has been clearly demonstrated by the experience of this association."

ITEM: "CALIFORNIA GRAPES SOLD TO IMPORTER ON DANISH MARKETS.

A few weeks ago the Trade Corporation learned that due to a short crop in Spain, a new market opportunity had developed in Scandinavia for a special variety of fresh grapes. The California Agricultural Marketing Service, a Farm Bureau affiliate, soon located a potential supplier. As a result a sale was made. This was the first sale of fresh grapes made by the Trade Corporation, but prospects now are favorable for further sales. The potential is good for many other fresh, canned and even frozen fruits from California. Competition from Australia, South Africa, South America, the Middle East, and southern Europe grows ever keener but the phrase 'Produced in California' still has a lot of sales appeal in Europe."

ITEM: "HORSERADISH FROM ILLINOIS SOLD IN QUANTITY OVERSEAS.

Horseradish is a specialty product that is produced successfully in only a few areas.

"Some of the finest quality horseradish in the world is grown in Illinois. The Trade Development Corporation recently became the overseas sales representative for a cooperative in Illinois. Thousands of pounds of horseradish roots have been shipped to Europe and further sales are expected."

FBTDC Services

The Farm Bureau Trade Development Corporation provides certain services of value to farmers, suppliers and buyers by:

1. Providing an export sales program that helps raise domestic farm prices above the levels that otherwise would exist. This means higher net incomes for farmers.
2. Providing direct representation for farmers in overseas markets. Many of the largest U.S. firms that handle U.S. farm commodities are already established in Europe. In some instances, however, they are using their American know-how and capital to process and merchandise products made from agricultural raw materials that were not produced in the U.S. This situation provides us with a problem in terms of meeting competition but an opportunity in terms of giving undivided attention to export opportunities for U.S. farm products.

Suppliers

The Trade Development Corporation serves suppliers in the U.S. by:

1. Providing continuous representation in Europe. Importers necessarily are most concerned with their buyers' needs, desires and interests; in today's market it is easier to find another supplier than another buyer. Thus we are the U.S. supplier's representative overseas.
2. Assisting in the location of reputable buyers, including checking on credit ratings, and servicing the accounts that are developed.
3. Providing information on European market needs and potentials, consumer preferences and buying habits, competitive situations, new sales opportunities, and such other information as may assist suppliers in making management decisions on trade development matters.

4. Assisting on problems relating to display of samples, obtaining adequate transportation for commercial shipments, preparation of papers needed for export and import clearance, scheduling arrival times for shipments, reconciling problems related to quality of product at time of delivery, etc. The Trade Development Corporation, whenever necessary, selects or recommends freight forwarders or other export specialists who can assist at various marketing stages or with technical problems peculiar to the export business.

Buyers

The Trade Development Corporation serves overseas buyers by:

1. Providing them with dependable sources of supplies of U.S. farm commodities and finished products made from such commodities. This means that the overseas buyer can deal with suppliers who are financially responsible, have adequate quantities of product, are interested in making continuous offerings over a period of time, ship products of the kinds and quality needed by the buyer -- and as specified in the sales contract, and make deliveries when, where and how the buyer wants them.
2. Providing them with a seller's representative in Europe who may be contacted at minimum expense and who can act quickly to resolve problems involved in shipment or delivery of the products purchased.

The services of the Farm Bureau Trade Development Corporation are being well received by all participating parties. Farm Bureau expects interest in the corporation to continue to increase as export opportunities increase in the future.

GROWERS STIMULATE RED TART CHERRY SALES TO WESTERN EUROPE

B. I. Freeman, Manager
Great Lakes Cherry Producers Marketing Cooperative
Grand Rapids, Michigan

Since Cherry Producers Marketing Cooperative was formed, the cherry industry has matured by improving its research, promotion, and production facilities. The following table dramatically illustrates the growth in exports of frozen and canned Red Sour Pitted Cherries:

NO. OF LBS. FROZEN AND CANNED CHERRIES EXPORTED FROM U.S.

	Canned ^{1/}	Frozen	Total
		(000)	
1954	629	--	629
1955	2,081	--	2,081
1956	1,342	--	1,342
1957	6,709	--	6,709
1958	1,410	--	1,410
1959	3,937	--	3,937

^{1/} None Frozen

GROWERS ESTABLISH EXPORT PROGRAM

	Canned	Frozen	Total
		(000)	
1960	4,235	30	4,265
1961	5,313	550	5,863
1962	10,239	4,240	14,479
1963	6,466	825	7,291
1964	13,954	1,000	14,954
1965	48,000	9,341	57,341

Average Total Lbs. Exported 1954-59 = 2,684,667

Average Total Lbs. Exported 1960-65 = 17,329,569

Certainly, a large part of this growth is due to the opening of the St. Lawrence Seaway in 1954 and the prosperity of the European Common Market. However, some credit must be given some 2,500 cherry growers who are members of the Great Lakes Cherry Producers Marketing Cooperative. Normally, this association is organized as a bargaining association. Since the association operates in 5 states, employs 4 fieldmen, a manager and 4 office girls, this money and time available to develop export markets is limited.

Not only was money and time limited, but ignorance in the field of exporting and sales was rampant. A survey of processors in the spring of 1960 revealed that not one major owner or officer had ever been abroad on a vacation much less a business trip. Growers as individuals had no experience in this field, but were motivated by the real knowledge that they had to expand their markets and could leave no stone unturned.

It all started in the spring of 1959. The subject of our annual meeting was: "What is the Potential Market for Red Tart Cherries and What Can Growers do to Help Achieve That Potential." John W. Stewart, Foreign Agricultural Service, was one of the principal speakers. He suggested that there might be an opportunity to sell Red Tart Cherries in Western Europe. After further investigation, our President, John Handy, flew to Europe in the spring of 1958. He hastily surveyed the retail and processing potential in Western Europe and reported back that good possibilities existed but only if the industry was willing to spend the money and make the effort to make possibility a reality.

Based upon Mr. Handy's findings, the association met with processor and grower leaders to organize an export program with the help of P.L. 480 funds. The many discordant groups in the cherry industry could not get together. With faith in their product and driven by the reality of expanding production, the members of Great Lakes voted to go it alone.

They organized a separate subsidiary to contract with FAS of USDA to develop a market survey type program. The plan called for sending a fully qualified representative to Europe who would report back potential customers, deliver samples of U.S. cherry products and assist processors in contacting European sales representatives and buyers. He would also assist in setting up displays and representations at various trade fairs and food exhibits throughout Western Europe. Arthur J. Roy-Stella was hired to do this job.

The association paid his salary and FAS paid his travel and living expenses while in Europe. He sent back good reports, traveled back to tell growers and processors first hand of potential customers in Europe and introduced U.S. frozen cherries to European buyers. The association exhibited cherry products in West Germany, France, Belgium, Holland and England. Efforts were made to encourage processors to form a Webb Pomerine Corporation for exporting cherries. One such corporation was formed by New York processors.

Under pressure from a large crop in 1961, the association, separate from its European Survey and Promotion Program, purchased 1.5 million pounds of frozen cherries for sale in Europe. This introduction was only partially successful, since the market did not materialize and the original shipment of 330 tons was sold at a loss.

However, in 1962, when still another large crop was upon us in the United States and the European crop was short, 4,240,000 pounds of frozen cherries were profitably exported to Europe. A new type of frozen pack for Europe was perfected with cherries packed in tins without sugar, but with a parchment suppressor used to stop oxidation. With this advent, new pack sales of frozen cherries have continued to increase.

In 1963, the United States had its shortest crop in 18 years. Prices to growers and prices to the domestic trade were at record levels. Here again the association stepped in to preserve hard-won markets. They sold to previous customers at 16 1/2 cents a pound, a 30 percent increase over the previous year's price in Europe, but a 30 percent decrease from domestic prices of 18 1/2 cents a pound. This show of good faith to new customers did a great deal to make possible record sales in 1964 and 1965 at profitable prices.

In addition to taking market risks, the association sent Claude Hills from USDA - Western Utilization Research and Development Division, Agricultural Research Service, Albany, Calif. - to Europe to consult with European processors on how to use frozen and canned U.S. cherries for remanufacture in Europe. He perfected the sugarless pack and suggested processing cherries with Instant Quick Frozen (I.Q.F.) equipment as an ideal product for export.

The association developed I.Q.F. cherries by contracting with vegetable canners who had I.Q.F. equipment. William McIntosh then was sent to Europe as a technician to introduce I.Q.F. and dehydro-frozen cherries to European buyers. Mr. McIntosh was a former cherry processor and very knowledgeable about all aspects of freezing Red Tart Cherries.

In addition to the development and introduction of frozen cherries abroad, Mr. Roy-Stella, Mr. McIntosh, Mr. Handy and I all worked to gain liberalized import regulations for canned Red Sour Pitted Cherries and helped promote them with the bakery industries of West Germany and the Benelux countries.

This is the story of how growers were able to influence their markets abroad. However, the association's increased commercial activities abroad and the unwillingness of commercial canners to enter the program, has now brought the activities of our association to a halt. There is a limit to what a voluntary cooperative can do to better the market for all who do not contribute. We are in hopes that in the near future the entire industry will combine its efforts to increase our promotional and sales activities in a market that seems to have great potential.

ANTITRUST ISSUES IN COOPERATIVE BARGAINING

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I am pleased and honored to have the opportunity to speak to you today about agricultural cooperatives and the antitrust laws. The problem of how the antitrust laws should deal with farmers wishing to form cooperatives to sell their products is now an easy one. Congressional consideration of this problem led to the enactment of Section 6 of the Clayton Act and of the Capper-Volstead Act, both giving some exemption from the antitrust laws to agricultural cooperatives.

This afternoon I should like to describe the nature and the extent of the exemption from the antitrust laws that Congress created for agricultural cooperatives. I shall then go on to discuss whether or not that exemption should be expanded. After we have examined the nature of the exemption, I hope you will agree with my present rather strong view that the present statutory scheme is quite adequate to enable agricultural cooperatives to carry out their legitimate aims.

I

I should first like to discuss the nature and the extent of the exemption given to agricultural cooperatives by Congress. This exemption is embodied in two statutes. Section 6 of the Clayton Act, enacted in 1914, provides that "nothing . . . in the antitrust laws shall . . . forbid the existence and operation of . . . agricultural or horticultural organizations . . . not having capital stock . . . or to forbid or restrain individual members of such organizations from lawfully carrying out the legitimate objects thereof."

As time went on, Congress deemed this exemption too narrow. The Section's limitation to organizations "not having capital stock" and its failure to sanction expressly certain cooperative marketing activities inspired the Capper-Volstead Act of 1922. Section 1 of that Act provides that producers may "act together in associations, cooperative or otherwise, with or without capital stock" for the purpose of "collectively processing . . ., handling and marketing (their) products . . . Such associations may have marketing agencies in common and . . . may make the necessary contracts and agreements to affect such purposes." Section 2 of the Act provides that the Secretary of Agriculture may restrain any cooperative from monopolizing or restraining trade "to such an extent that the price of any agricultural product is unduly enhanced."

Were I forced to summarize, and thus probably oversimplify, the effect of these and related statutes upon the exemption for agricultural cooperatives, I should say that they have led to the formulation of two general rules. First, farmers and producers may form cooperatives without violating the antitrust laws, but once formed, cooperatives should by and large be treated like other businesses under the antitrust laws. Second, membership in cooperatives must remain voluntary.

The fact that cooperatives, as a general rule, are to be treated like other businesses is shown by the history of the Clayton and Capper-Volstead Acts and by the decisions of the courts interpreting the cooperative exemption. Before the enactment of Clayton Act Section 6, some courts had held that organizations of producers such as farmers that determined the price at which their joint product would be sold were combinations in restraint of trade.

Under these decisions, if a group of farmers simply made an agreement to market their wheat together and to set a single price, they automatically violated the antitrust laws. The history of Section 6 shows that that section was inserted in the Clayton Act to bar this type of prosecution by the federal government. The legislative history of the Capper-Volstead Act also shows that the Act was intended to give farmers acting together through agricultural cooperatives the same unified competitive advantage and responsibility available to businessmen acting through corporations. The House Report on the Capper-Volstead Act said: "Instead of granting a class privilege (the bill) . . . aims to equalize existing privileges by changing the law applicable to ordinary business corporations so that farmers can take advantage of it."

Moreover, the courts' decisions show that while farmers cannot be prosecuted for joining together to form cooperatives, these cooperatives will be treated essentially like other businesses. In United States v. Borden Co. (308 U.S. 188) a milk producers' cooperative allegedly conspired with a milk drivers' union and a group of milk distributors in order to fix prices. The Court held that the Sherman Act would forbid such a conspiracy because the agricultural cooperative exemption does not allow agreements in restraint of trade made between cooperatives and non-cooperatives. In Maryland & Virginia Milk Producers Assn. v. U.S. (362 U.S. 458) the Court held that Section 2 of the Sherman Act and Section 7 of the Clayton Act applied to agricultural cooperatives. In particular, the Court held that a cooperative violates the antitrust laws when it engages in predatory conduct, or when it makes an acquisition which may substantially lessen competition. Many lower court decisions reflect the same tendency to view the agricultural cooperative exemption as one designed primarily to allow farmers to form cooperatives, but intended to treat cooperatives, once formed, like any other business.

There may be some exceptions to the general rule that cooperatives should be treated like other businesses. First, the very fact that farmers are allowed voluntarily to form a cooperative association suggests that they may lawfully obtain by the cooperative device a degree of market power which individual businessmen could not obtain by a similar combination.

Similarly, the Capper-Volstead Act specifically states that cooperatives may have marketing agencies in common. Presumably, therefore, two or more cooperatives in a particular area would not be precluded from joining together to create a single marketing agency merely by the fact that they had marketed or could market in competition with each other. In contrast, the formation of a common marketing agency by a competing group of say steel manufacturers would almost certainly be illegal.

While the cooperative exemptions may indeed permit the acquisition of some degree of market power, it remains at least doubtful -- as my predecessor Judge Barnes suggested in an address 12 years ago -- that an agricultural cooperative may obtain a monopoly or near-monopoly of the marketing of any commodity free of Sherman Act prohibitions. Of course, the Capper-Volstead Act itself applies to a cooperative which monopolizes. In Section 2 it provides that if the Secretary of Agriculture, after hearing, finds that a cooperative association monopolizes or restrains trade "to such an extent that the price of any agricultural product is unduly enhanced thereby" he shall issue an order directing the association to cease its unlawful activities. But it is by no means clear that this remedy is exclusive.

I have been speaking of exceptions to the general rule that a cooperative, once formed, is as subject to antitrust law as are other businesses. It can be argued that agricultural cooperatives are given greater freedom than other businesses by the Capper-Volstead Act provision that cooperatives "may make the necessary contracts and agreements to effect the collective processing, preparing for market, handling and marketing of products." I do not agree.

The provision certainly does not mean that cooperatives may engage in any activity, however anticompetitive, so long as they are securing greater profits for their members. I believe this provision simply was intended to make clear that the protection afforded cooperatives is extended to reasonably ancillary contracts or agreements which would otherwise, by narrow construction of the exemption, be held unlawful.

I also believe that the statutory reference in Section 6 of the Clayton Act to "legitimate objects" has a similar limited purpose. This view was reflected in U.S. v. King (229 Fed. 275, 250 Fed. 908) decided some 40 years ago. There a cooperative handling a substantial share of the Maine potato crop circulated among members and non-members a black list that urged a boycott of potato dealers delinquent in payment for their purchases from the cooperative. Despite Section 6's exemption for operations of producer associations, the court sustained an indictment under the Sherman Act, for it did "not think that the coercion of outsiders by secondary boycott . . . can be held to be a lawful carrying out of the legitimate objects of such an association.

The Clayton Act means," the court went on, "that organizations such as it describes are not to be broken up and dissolved as illegal nor held to be combinations or conspiracies in restraint of trade, but they are not privileged to adopt methods of carrying on their business which are not permitted to other lawful associations." This principle was reaffirmed by the Supreme Court a few years ago in Maryland & Virginia Milk Producers v. U.S.

This general discussion has specific application to the lawfulness of mergers involving cooperatives. It suggests that while mergers between cooperative and noncooperative organizations are fully subject to the antitrust laws, somewhat different standards may be used in judging mergers between cooperatives.

In particular, as a cooperative appears to be entitled to acquire some degree of market power simply by enrolling new members in its organization, it should have the right to acquire this same power through horizontal merger when the merger is identical for all practical purposes to an increase in the size of one of the cooperatives through the voluntary accession of new members.

Thus, if at the time a merger between cooperatives is to take place each member of the cooperative is free to withdraw and to be reimbursed the value of his share in the organization, the merger seems equivalent to the voluntary enrollment of new members into the organization and as such no more subject to attack under the antitrust laws than that organization would be if it had enlisted the same members originally.

On the other hand, when cooperatives make other kinds of acquisitions, it seems reasonably clear that the applicable legal standards are substantially those governing mergers generally. This lesson, too, I draw from the Maryland & Virginia Milk Producers case, invalidating defendant's acquisition of a significant competing distributor.

I have been discussing the first general rule applicable to the behavior of agricultural cooperatives. A second important rule is that membership in such cooperatives must remain voluntary. This rule has been applied by the courts in cases dealing with the Fishermen's Cooperative Marketing Act, an act creating an exemption for fishermen very similar to that created for farmers. In Hinton v. Columbia River Packers (315 U.S. 143) the Court held that a fishermen's association could not require the canners with whom it dealt to promise to buy fish from association members only - a requirement that would have forced non-members to join or lose their source of livelihood. Other cases make clear that the exemption granted fishermen does not allow a cooperative to attempt to force other fishermen to join the association.

To summarize once again my view of the current state of the law: I believe (1) that while farmers may form agricultural cooperatives with comparative immunity and make all agreements reasonably ancillary to their proper business, such cooperatives, with few exceptions, must conform to the same antitrust rules that govern other business; and (2) that membership in cooperatives must be uncoerced.

II

I should like now to turn to the question of whether or not the current legislative exemption from the antitrust laws for agricultural cooperatives should be expanded. While I do not pretend to have studied the matter exhaustively, my present conclusion is that a case for expanding the exemption has not been made out.

To the extent that the cooperative exemption permits farmers, by combination, to obtain some degree of market power, the exemption seems to me to be justifiable only by relying upon what has been called a theory of "countervailing" power, namely, a claimed need to offset undue bargaining power on one side of the market by a comparable bargaining power on the other. In some, perhaps many, markets for agricultural produce, farmers may face a limited number of buyers who are able to depress the price for farm produce below the price they would obtain under competitive conditions. In the absence of any direct way of dealing with such power on the buying side, permitting combination among farmers on the selling side is a vehicle for avoiding exploitation.

The ability to form cooperatives allows the farmers to overcome the power of the large buyer in two ways. First, to the extent the cooperative gains some control over the supply of a product, it can bargain with the buyer in order to achieve a somewhat higher price than the buyer would have to pay individual farmers selling separately. Second, farmers may form their own cooperative marketing agencies, thus bypassing the powerful marketer who would otherwise be able to achieve an unduly high profit at the expense of the farmer.

It is important to note that this justification for the agricultural cooperative exemption is to allow the farmers to overcome exploitation and earn a reasonably competitive profit. Its purpose is not to allow a monopoly profit.

This also explains why it is important that membership in cooperatives be voluntary, that cooperatives not be permitted to coerce outsiders by shutting off their access to markets. This requirement not only protects the farmers' basic interest in freedom of association, but it also increases the likelihood that cooperatives will be able to earn competitive profits but unable to achieve monopoly profits.

When the profit that an individual farmer can make is too low because he is faced with a buyer possessing monopoly power, he will wish to join a cooperative association, for by joining the cooperative he will be able to sell all he produces at a price that is certainly no lower and is probably higher than the one he could obtain on his own.

On the other hand, when the price obtained by the cooperative association is greater than the price that would be set through competition, demand will be short of what farmers would wish to produce and sell at such a favorable price. At this point the cooperative must impose some sort of quota system upon its members. Otherwise surpluses will be produced that will lower the market price. At this point an individual farmer may believe with good reason that he can make more money by quitting the cooperative, by producing all he desires and by selling his product at a price just slightly below that charged by the cooperative. The fact that such farmers are free to leave the association will thus tend to drive the price of the product down towards the competitive level.

There are, therefore, good reasons for insisting that membership in a cooperative remain voluntary, and for refusing to let a cooperative coerce outsiders by depriving them of access to markets. The same reasons make it inappropriate to permit the cooperative to become in effect the sole bargaining agent for members and non-members by entering into agreements with buyers setting the price those buyers must pay to anyone from whom they buy.

Whatever one may say as to whether membership in labor unions should be voluntary, it seems clear to me that the issue of "majority rule" is much different when we consider the marketing of farm produce or any other commodities than when we discuss collective bargaining in labor relations. In labor relations, collective bargaining involves matters vastly more complex than bargaining over the sale of goods.

Not only is the collective bargaining agreement complex, but the terms applicable to the various individual workers are inextricably interrelated. For example, it would be literally impossible to have individual independent bargaining with an employer over such matters as seniority.

Moreover, to permit the employer to bargain individually with workers would create an attractive avenue for subverting the union by paying individual employees higher wages than those in the union agreement, in hopes that eventually, by destroying the group, the wages can again be lowered. To be sure, it is conceivable that monopolistic buyers could similarly endeavor to subvert a cooperative by bribing members away.

But this seems much less likely, to say the least, because a cooperative can quickly re-form and thus deprive the buyer of his expected gains, whereas reconstituting a union is typically a long and painful process.

In explaining my belief that the exemption for cooperatives should not be expanded beyond the dimensions of present law, I have been assuming, as I have said, that the fundamental purpose of permitting cooperatives to obtain some degree of market power is simply to end exploitation and obtain for the farmer fair competitive prices.

I suppose it could be argued that an antitrust exemption should be broadened for the conscious purpose of enabling the farmers via the cooperative device to obtain higher than competitive profits and in this way a larger share of the national income. If farmers as a group are not obtaining what might be thought to be a fair share of the national income - an issue on which I render no opinion - surely there are better ways than monopoly for redressing the balance. For monopoly means inefficiency and waste in the allocation of our Nation's resources, and we can ill afford any conscious policy of adding to the waste and inefficiency that existing monopoly has produced.

Before concluding, I should note that there is little or no reason to believe that exposure to the antitrust laws has unduly hampered the expansion of the agricultural cooperative movement. The growth of cooperatives during the last 50 years has been remarkable and prodigious. By the turn of the century agricultural cooperatives were of negligible importance to the economy.

Yet, by 1963, there were more than 8,900 marketing, purchasing and related service cooperatives doing \$18.3 billion worth of business. More than seven million memberships were held by farmers. The volume of business done by cooperatives has increased more than 70 percent over the past decade, and in the decade prior to that the volume of business handled by these cooperatives tripled. There is little reason to believe that the antitrust laws will stand in the way of continued desirable expansion and growth.

I do not wish to imply by anything I have said that the present development of agricultural cooperatives has reached the point where monopoly has become a serious problem. There is no evidence I know of suggesting any such dire assessment. There is no reason I know of to depart from our long-standing policy of encouraging cooperative growth.

It is clear, however, that agricultural cooperatives are no longer a negligible factor in our Nation's economic life. And as cooperatives grow in size and importance, as they assume more and more of the characteristics of large corporate businesses, it becomes even more important that the essentials of our competitive policy be applied to private businesses and to cooperative businesses without discrimination.

APPENDIX

RESOLUTION

WHEREAS: The bargaining cooperatives enthusiastically applaud the Farmer Cooperative Service for conducting forums for the exchange of information and experience; and

WHEREAS: The continuation of this service to our Nation's cooperative marketing associations is in the finest tradition of the Farmer Cooperative Service;

THEREFORE BE IT RESOLVED: That delegates of fruit and vegetable cooperative marketing associations in attendance do hereby unanimously and formally commend the United States Department of Agriculture, the Farmer Cooperative Service, and staffs for conducting these conferences and do hereby implore they be continued at the mutual convenience of the planners and participants.

Gene R. Coe, Manager
Washington Asparagus Growers Association

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Earl Wheeler	Diamond Fruit Growers, Inc., Hood River, Oregon 97031
A. H. Whitmore	Florida Council of Farmer Coops., Winter Haven, Fla. 33880
Robert W. Wilcox	Idaho Cooperative Council, Inc., Boise, Idaho 83701
Duyte Wilson	National Farmers Union, Washington, D.C.
Alois F. Wolf	Economic Research Service, U.S.D.A., Washington, D.C.

LIST OF FRUIT AND VEGETABLE BARGAINING COOPERATIVES 1/

Fruit Bargaining Cooperatives

1. Apricot Producers of California
2855 Telegraph Avenue
Berkeley, California 94705
Herbert Dalton, General Manager
2. California Apple Growers
Sebastopol, California 95472
H. W. Van Gelder, Manager
3. California Canning Peach Association
World Trade Center, Ferry Building
San Francisco, California 94111
Ralph B. Bunje, Manager
4. California Canning Pear Association
64 Pine Street
San Francisco, California 94111
Cameron Girton, Manager
5. California Freestone Peach Association
422 Fifteenth Street
Modesto, California 95350
Richard L. Black, Manager
6. Florida Orange Marketers
P. O. Box 1483
Orlando, Florida 32802
E. H. Squire, Manager
7. Great Lakes Cherry Producers Marketing Cooperative
801 Cherry Street, S.E.
Grand Rapids, Michigan 49506
Berkley I. Freeman, Manager
8. Idaho Processing Apple Growers
Caldwell, Idaho 83605
Stanley Robinson

1/ This list, based on reports from various sources as of January 1966, includes associations having as one of their objectives the negotiation of contract terms with processors. Some of the associations, however, are currently inactive and some, because of their recent organizations, are not yet actively operating. Also listed are State Farm Bureau marketing associations affiliated with the American Agricultural Marketing Association.

9. Independent Red Raspberry Growers of Washington
Route 12, Box 268
Tacoma, Washington 98400
Hedwig Bisig, President
10. Kadota Growers, Inc.
P. O. Box 26
Planada, California 95365
V. E. Scott, Manager
11. New York State Grape Growers Cooperative
Farm and Home Center
Westfield, New York 14787
Fred Johnson, President
12. North Coast Grape Growers
2855 Telegraph Avenue
Berkeley, California 94705
Herbert Dalton, Manager
13. Northwest Berry Association
Route 1, Box 139
Canby, Oregon 97012
John C. Webber, President
14. Pacific States Canning Pear Marketing Association
Wenatchee, Washington 98801
Vernon Stockwell, President
15. Tri-County Grape Growers Association
Route 1
North Madison, Ohio 44057
Richard Woodworth, President
16. Washington Freestone Peach Association
P. O. Box 2056
Yakima, Washington 98901
Harlan Gannon, Manager
17. Washington-Oregon Berry Growers Association
1825 Linden Drive
Puyallup, Washington 98371
Andy Riddell, President
18. Washington-Oregon Canning Pear Association
202 Holtzinger Building
Yakima, Washington 98901

19. Westfield Maid Cooperative, Inc.
60 Franklin Street
Westfield, New York 14787
Joseph Schuster, President

Vegetable Bargaining Cooperatives

1. California Cucumber Growers Association
P. O. Box 666
Fremont, California 94536
S. E. Williams, Secretary
2. Contract Vegetable Growers Association
Route 2
Nampa, Idaho 83651
Duane Jacobsen, President
3. Idaho Potato Bargaining Association
Paul, Idaho 83347
Lowell C. Moore
4. Lomer Valley Asparagus Growers
Box 3
Sunnyside, Washington 98944
Clark Mase, Secretary-Treasurer
5. Magic Valley Canning Crop Growers Association
Hagerman, Idaho 83332
Bob Brailsford, President
6. Malheur Potato Bargaining Association
City Hall
Ontario, Oregon 97914
Warren Farmer, Manager
7. Mesa County Tomato Growers
Fruita, Colorado 81521
Herman Beard, President
8. Mississippi Valley Horseradish Bargaining Association
East St. Louis, Illinois 62200
George Powell, President and Manager
9. Northwest Washington Farm Crops Association
621 West Division
Mount Vernon, Washington 98273
Ray Schink, Manager

10. Oregon-Washington Vegetable and Fruit Growers Association
Route 2, Box 137
Salem, Oregon 97301
Walter Collett, Manager
11. Oregon-Washington Pea Growers Association
Athena, Oregon 97813
Don Webber, President
12. Treasurer Valley Potato Bargaining Association
Caldwell, Idaho 83605
13. Utah State Canning Crop Association
173 South Main Street
Logan, Utah 84321
A. W. Chambers, Secretary-Manager
14. Ventura Fordhook Lima Bean Bargaining Association
Oxnard, California 93030
Jean Du Fau, President
15. Washington Asparagus Growers Association
318 South Seventh Street
Sunnyside, Washington 98944
Gene R. Coe, Manager

State Farm Bureau with the Affiliated Marketing Association

American Agricultural Marketing Association
1000 Merchandise Mart
Chicago, Illinois 60654

Charles B. Shuman, President
Roger Fleming, Secretary-Treasurer
Allen Lauterbach, Assistant Secretary-Treasurer
Wayne E. Tyler, Field Director
Harold J. Hartley, Manager, Fruit and Vegetable Div.
J. Ward Cooper, Manager, Apple Department

1. Agricultural Service, Inc. - New Hampshire
191 N. Main Street
Concord, N. H. 03301
A. Paul Stimson, President
L. Gray Estes, Manager

2. California Agricultural Marketing Association
2855 Telegraph Road
Berkeley, Calif. 94705
Emil Deitz, Director of Agricultural Marketing Services
3. Colorado Farm Bureau Marketing Association, Inc.
Route 2
Grand Junction, Colo. 81501
Lloyd Sommerville, President
4. Delaware Farm Bureau
Dupont Highway, Route 13, Box 110
Dover, Delaware 19901
Roland E. Garrison, President
Ernest F. Smith, Jr., Executive Secretary & Manager
5. Farmers Agricultural Cooperative Trading Society - Massachusetts
155 Lexington Street
Waltham, Mass. 02081
Lloyd A. Hathaway, President
Phillip Good, Manager
6. Georgia Farm Bureau Marketing Association
2374 Ingleside Avenue
Macon, Ga. 31202
William L. Lanier, President
7. Farm Bureau Marketing Association of Idaho, Inc.
Route 2
St. Anthony, Idaho 83445
Nyal Rydalch, President
8. Indiana Agricultural Marketing Association
130 E. Washington Street
Indianapolis, Ind. 46204
George Doup, President
Marion Stackhouse, Manager
9. Kansas Agricultural Marketing Association, Inc.
2321 Anderson Avenue
Manhattan, Kans. 66502
Walter C. Peirce, President
Myron Hillman, Manager
10. Kentucky Farm Bureau Development Corporation
Owenton, Ky. 40359
Jack Welch, President
John Koon, Secretary

11. Maryland Agricultural Cooperative Marketing Association
P. O. Box 520
Randallstown, Md. 21133
Young D. Hance, President
A. Kenneth Miller, Manager
12. Michigan Agricultural Cooperative Marketing Association
4000 North Grand River Avenue
Lansing, Mich. 48904
Walter Wightman, President
Robert E. Braden, General Manager
13. New Jersey Agricultural Marketing Association, Co-op
P. O. Box 366
Glassboro, New Jersey 08028
C. H. Fields, Executive Secretary
Thomas Moore, Manager
14. New York Farm Bureau Marketing Cooperative, Inc.
210 Savings Bank Bldg.
Ithaca, N. Y. 14850
William E. Bensley, President
John Follman, Manager
15. Ohio Agricultural Marketing Association
245 N. High Street
Columbus, Ohio 43216
Frank B. Sollars, President
D. R. Stanfield, Exec. Vice President
C. William Swank, Manager
16. Farm Bureau Marketing Association of Oklahoma, Inc.
Capitol Station
P. O. Box 3332
Oklahoma City, Oklahoma 73105
Lewis Munn, President
Gilbert Pollock, Manager
17. Pennsylvania Agricultural Cooperative Marketing Association
21st and Chestnut Avenue
Camp Hill, Pa. 17011
G. A. Biggs, President
Robert L. Steele, Mgr., Apple Marketing Division
18. Quality Vegetable Growers Association - Illinois
1701 Towanda Avenue
Bloomington, Ill. 61702
Phillip C. Collins, President
Melvin Hayenga, Manager

19. South Carolina Farm Bureau Marketing Association
P. O. Box 754
Columbia, S. C. 29202
David H. Sloan, Jr., President
E. W. Brooks, Exec. Vice President
20. Texas Agricultural Marketing and Development Association
401 Franklin Avenue
Waco, Tex. 76703
C. H. DeVaney, President
Walter Meyer, Manager
21. Utah Agricultural Marketing Association
65 E. Fourth South Street
Salt Lake City, Utah 84111
A. V. Smoot, President
Frank G. Sheeley, Secretary
22. Virginia Agricultural Marketing Association
212 W. Grace Street, P. O. Box 2-B
Richmond, Va. 23203
Robert B. Delano, President
Louis Chisholm, Secretary
23. West Virginia Agricultural Marketing Association, Inc.
Adrian Road, Route 3, Box 156-A
Buckhannon, W. Va. 26201
Paul Nay, President
E. O. Gregory, Secretary-Treasurer
24. Wisconsin Agricultural Marketing Association
801 W. Badger Road
Madison, Wis. 53713
Percy Hardiman, President
William Kasa Kaitas, Secretary
Frank Wing, Manager



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